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WORLD NEWS

Kinnock's critic demoted

A senior trade union official who criticised Labour Party leader Neil Kinnock has been demoted. Mr David Warburton, principal national officer of the GMB general union, was at first asked to resign but has instead been moved to a lower position as a national industrial officer. He drew angry responses from the party when he accused Mr Kinnock of lethargy and said there was a demoralising gap between party leaders and the labour movement. **Back Page**

Britons for Heysel trial

Belgium said 26 Britons would be tried for manslaughter in connection with the 1985 European Cup final riot at Heysel Stadium, in which 39 people died.

Pressure on Panama

The US is stepping up pressure on Panamanian leader Gen Manuel Noriega to step down and allow free elections. **Page 2**

Dole beating Bush

Kansas Senator Robert Dole is leading Vice-President George Bush among Iowa Republicans, ahead of presidential nomination caucuses there. **Page 2**

Storm closes Washington

US federal government offices were closed as a storm dropped a foot of snow on Washington.

Abortion bill backed

Fourteen government ministers, including Home Secretary Douglas Hurd, will support David Alton's bill to cut the abortion time limit from 28 weeks to 18, the Liberal MP said.

Rapist jailed for life

Gary Dixon, 24, was given four life sentences at the Old Bailey for a series of attacks on women in south London. He raped four of them at knifepoint.

Child abuser freed

A 51-year-old man who admitted sexually abusing his step-granddaughter, beginning when they were five and eight, was given a suspended 18-month jail sentence at the Old Bailey.

Drug sentences

Three Israelis who admitted smuggling cannabis worth \$500,000 into Britain were jailed for 10 years at the Old Bailey and recommended for deportation. A Briton was jailed for six years.

Shell sues Dutch city

Shell oil company said it was suing the Dutch city of Hilversum for refusing to do business with it because Shell operates in South Africa. **Page 2**

Le Matin halted

The French leftist newspaper Le Matin suspended publication because of financial problems.

Train fire kills 34

A fire in a train killed 34 people and injured 30 in Hunan province, China.

Gatwick terminal opening

Gatwick Airport's £260m North Terminal will be opened by the Queen on March 18, almost a year behind schedule. **Page 4**

New York for £88

Virgin Atlantic airline announced flights to New York and Miami for \$88. Flights back will cost \$88 (\$49).

Last call

A Coventry stationery company was burgled for the sixth time in nine weeks. This time, its burglar alarm system was stolen.

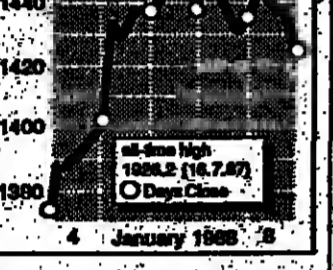
BUSINESS SUMMARY

Kuwait pledge on BP

THE KUWAIT investment Office made a pledge not to seek control of British Petroleum, the Treasury revealed yesterday. The KIO, which has an 18.94 per cent stake in the oil group, assured the Treasury before Christmas that it was investing for the long term and had no ambitions to control BP or hold any management role. The pledge is not binding, however. **Back Page**

Equities closed down

Equities closed down in London in response to weakness on Wall Street. The FT Ordinary Index lost 10 points to 1,242.5.



Taiwan's foreign investment

Taiwan's foreign investment rose 10 per cent to a record \$1.42bn (\$780m) last year, said the country's investment Commission.

Argentine Congress passed

Argentine Congress passed President Raul Alfonsin's controversial tax package. Inflation was reported to have more than doubled last year to 176 per cent. **Page 2**

Libanese annual inflation

Libanese annual inflation rate rose from 104 per cent to a record 730 per cent last year, said the General Labour Federation.

Tourism Minister John Lee

Tourism Minister John Lee warned that Britain's tourism industry faced stiff competition this year from the west coast of the States. **Page 2**

Ericsson, Swedish Telecom

Ericsson, Swedish Telecom, agreed a deal to sell most of its loss-making US cable operation to BCC of the UK and Alcatel of France. **Page 10**

General Motors, largest US

General Motors, largest US vehicle maker, plans to eliminate 1,900 jobs at its Van Nuys, California, assembly plant because of slow sales of the factory's products. **Page 10**

Boddington, Manchester-based brewery

Boddington, Manchester-based brewery, is closing its Oldham, Haverly and three distribution depots, with up to 200 job losses. **Page 4**

British Air Ferries: High Court

British Air Ferries: High Court appointed joint administrators to reorganise the South-end-based aircraft charter company, which had rejected a management buy-in proposal. **Page 4**

Granada television and leisure group

Granada television and leisure group is buying the unlisted computer maintenance business, Mainstay, for more than £10.6m. **Page 8**

Hanson industrial group is

Hanson industrial group is taking over brick company George Armitage and Sons in an agreed \$50m deal. **Page 8**

Scuffles mar end of Thatcher's African spectacular

MRS MARGARET THATCHER, the Prime Minister, ended her whistle-stop tour of Nigeria yesterday firmly sticking to her "no sanctions" policy against South Africa, in spite of anti-apartheid street demonstrations and attempts by her hosts to persuade her to change her views. Mrs Thatcher, accompanied by the Emir of the ancient walled city, was about to review a traditional display of horsemanship by 2,000 horses and riders, their spears held aloft - her press secretary, Mr Bernard Ingham, and several of her secretaries, were roughly handled by the military. Mr Ingham, who had an official invitation, had to battle his way to the dais where Mrs Thatcher was taking the salute of the mounted warriors. He received a rifle butt in the mid-rib for his pains, presumably because the dealer of the blow mistook him for a journalist.

Three of the Prime Minister's secretaries burst into tears as they struggled up the steps, distressed by their rough treatment and the alarming spectacle of the burly Mr Ingham battling with soldiers in his effort to reach Mrs Thatcher. However, the last stop of the Prime Minister's five-day tour of Kenya and Nigeria was a memorable occasion, full of glittering pageantry. She was shielded from the sun by a big red and gold umbrella as she climbed up to the palace ramparts to review the durbar. Foot soldiers fired muskets into the air and the horsemen charged the Emir's palace, rearing up at the last moment and wheeling away in an awesome display of equestrian skills. Trumpets and drums, pipes and rattles added to the din. The scene was in contrast to protests during the official cavalcade from the airport, when demonstrators denounced the Prime Minister as a friend of apartheid. A heavy harmattan - the dust-laden wind from the Sahara - had nearly forced Mrs Thatcher to cancel the last day's programme of her African tour, which began with three days in Kenya. The harmattan hung like a thick mist over the city, causing the decision to land her RAF VC-10 to be left until the last minute. British officials described Mrs Thatcher's visit, her first to Africa since 1979, as a notable success. Asked about her differences with the Nigerian Government over sanctions and South Africa, Mrs Thatcher said: "We have won the argument. Although we have different views, that subject (South Africa) did not play an overpowering part in our discussions. There was too much else to talk about." She said her trip to Africa had improved ties with the continent enormously. **Feature, Page 2**

Ford strike call after pay talks stalemate

STRIKE ACTION is to be recommended to 92,500 manual workers at Ford's Motor Company, after the fifth round of talks on the company's three-year pay offer ended in stalemate yesterday. A secret national ballot will be held on the issue a week on Wednesday. The decision to call for a vote on industrial action follows the most serious industrial action the company has experienced since the late 1970s. Ford has lost production of 26,000 vehicles worth about \$250m, through unofficial incidents in the three months since it made its original offer. This was based on pay rate increases of 4.25 per cent in the first year. The ballot, later this month, will be held immediately after mass meetings, at which the workers' union leaders will outline their reasons for rejecting the company's final pay offer, made on December 7. This would increase basic pay rates by 6.5 per cent in the first year and by the rate of inflation in the following two years. Ford is seeking radical changes in working practices, including the introduction of team work, of flexibility between skilled and unskilled workers, of quality discussion groups, and acceptance of temporary workers to meet peaks in demand. Mr John Murphy, the Transport and General Workers Union national automotive officer who is chief negotiator for the unions, said he and his colleagues were confident that the offer would be massively rejected. The unions - the TGWU, AEU engineering union, EETPU electrical union, GMB general union, and several smaller ones - are to ask for authority to call industrial action, including strike action, after considering the ballot result. More than 75 per cent of Ford's manual workers voted for industrial action in a ballot during the 1985 wage negotiations. Senior union leaders expect a similar proportion to vote for action in the forthcoming ballot. The result will be announced in about two weeks' time. No plans have been made for further discussions before the ballot, but it seems likely that the unions will call for talks before taking action. Mr John Hougham, the company's director of industrial relations, said he was disappointed by the unions' decision. The company had made a well-rounded offer which it saw as a reasonable response to the claim submitted by the unions in October. Mr Murphy said the unions had made every attempt to avoid confrontation. They recognised that the company was under competitive pressure and that improvements in efficiency were required. The unions were prepared to accept a three-year deal, provided the company significantly improved its offer and guaranteed the maintenance of employment levels during the course of the agreement, he said.

Turbulent week sees \$ recovery

CURRENCY MARKETS ended a turbulent week with the dollar well above the historic lows of the week before but with its outlook clouded by the release next Friday of US trade figures. In a week dominated by concerted central bank intervention and a spate of conflicting reports on their future actions, the dollar appreciated by nearly 5 per cent against the D-Mark and by more than 6 per cent against the yen. The US currency's recovery has helped underpin a solid rise in equity prices. Despite price falls yesterday, the FT-SE 100 Share Index closed 3.5 per cent higher than on New Year's Eve, while the Dow Jones Industrial Average made a similar advance. Currency traders and analysts said they thought the dollar would hold its present levels over the coming week, but that reaction to next Friday's US trade figures could have a crucial effect on its value. Central bank intervention on Monday and Tuesday - with the public participation of the US Federal Reserve - was sufficient to change the market's short-term perceptions of the US currency and promote two-way trading. "We welcome a stronger dollar," Mr Manuel Johnson, the vice-chairman of the Fed said in

Treasury confident of budget tax and public borrowing cuts

MR NIGEL LAWSON, the Chancellor, begins planning the strategy for his March budget, but is confident that he will be able to combine sizeable tax cuts with a further reduction in public borrowing. The Government is also committed to separating eventually the taxation of husbands and wives. Such a shift, perhaps involving partially transferable income tax allowances, would have to be gradual because of the need to complete the computerisation of the Inland Revenue. The Budget, however, is expected to include at least some move in that direction. Mr Lawson will not decide on the size of net tax reductions for some time. The so-called tax "giveaway" element in the Budget will depend on the latest evidence on the pace of growth in the economy. Senior Treasury officials, however, are confident that government revenues are buoyant enough to allow the option of a 2p cut in the basic rate of tax to 25p and a reduction in the higher rate from 80p to 60p. It is the large upward revisions to revenues contained in November's Autumn Statement are now thought to have been too pessimistic. If the economy continues to grow at its recent rapid pace, however, Mr Lawson will be under pressure to devote a substantial proportion of the revenue overbook to a further reduction in public borrowing. Excluding privatisation receipts, that would imply a balanced budget in the 1988/89 financial year or perhaps a surplus. In those circumstances, income tax cuts could be balanced partly by increases in indirect taxes. Excise duties, particularly for cigarettes and tobacco, could be raised by more than the amount needed to compensate for inflation, while some extension of the VAT base would also boost revenues. According to senior Whitehall sources, recent press reports of a row between the Chancellor and his advisers over the scope for net tax cuts are groundless. Treasury officials traditionally seek to exercise a restraining influence in pre-Budget planning, but for the moment at least, that is said to coincide with Mr Lawson's instincts.

Pension and insurance funds upset by SE levy

THE STOCK Exchange decision to pay for some of its new self-regulatory bills by slipping an extra 20p charge on the cost of most share transactions has angered the UK's pension funds and insurance companies. A new "contract levy" comes into force on Monday to meet the investment Managers Regulatory Organisation (Imro), another City watchdog. Continued on **Back Page** **Lex, Back Page**

Israel detains 30 Palestinians

ISRAEL has placed about 30 Palestinian nationalists from the West Bank and Gaza Strip under administrative detention in the past week, the military commander yesterday. They will be held for up to six months without trial as part of the drive against alleged ring leaders of the groups which have occurred daily over the past month. Verdicts are expected next week on appeals by nine others ordered to be deported. One Arab was killed and nine wounded when rioters clashed with Israeli troops in Gaza on Thursday night, bringing the number of fatalities to at least 26 since December 9. The Arab press yesterday published the names of 22 men arrested in the West Bank and four held in Gaza. They included two convicted of security offences who were released in a prisoner exchange in 1985, and student activists. Disturbances continued yesterday, with curfews enforced on six camps and villages, but there were no reports of serious casualties. Israel last night prepared a cool reception for Mr Murrach Goulding, a UN Under-Secretary, who is British. He was scheduled to arrive from New York to investigate measures necessary to protect civilians. Mr Perez de Guellar, UN Secretary-General, is to report to the Security Council on January 21 under the terms of a highly critical resolution adopted two weeks ago. Mr Yitzhak Shamir, the Israeli Prime Minister, indicated that he

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Phillips achieved consistently high prices for 19th Century Continental and Victorian pictures throughout 1987. This trend looks set to continue in 1988, and so we are holding two important sales for the combined departments, the first of which is on March 22nd. We can accept items for inclusion in this sale until the end of January. Meanwhile, the regular sales of the individual departments will continue to be held as normal. So, if you have any 19th Century paintings you are thinking of selling, contact Richard Newbury (ext.356) or James Taylor (ext.246) on 01-629 6602. You will find our knowledge most rewarding.



Rainsoaked Montezuma y Carreras, "Unity", oil on panel, 51.5 x 38cm. Recently sold at Phillips for \$36,000.

MARKETS

DOLLAR
 New York lunchtime:
 DM 1.64625
 FF 5.535
 SF 1.3465
 Y128.8
 London:
 DM 1.6505 (1.6385)
 FF 5.5276 (5.54)
 SF 1.3496 (1.3376)
 Y129.05 (128.5)
 Dollar index 94.1 (93.7)
 Tokyo close Y129.45

US LUNCHTIME RATES
 Fed Funds 6.4%
 3-month Treasury Bill:
 yield: 6.06%
 Long Bond: 9 7/8
 yield: 9.11%

GOLD
 New York: Comex Feb latest
 \$483.6
 London: \$489 (489.5)
 Gold price changes yesterday: Best Page

STERLING
 New York lunchtime \$1.812
 London: \$1.807 (1.816)
 DM 2.9828 (2.976)
 FF 16.07 (16.06)
 SF 2.2376 (2.245)
 Y258.19 (same)
 Sterling index 75.8 (same)

LONDON MONEY
 3-month interbank:
 closing rate 9 1/4% (9)

NORTH SEA OIL
 Brent 15-day Jan (Argus)
 \$16.90 (17.95)

STOCK INDICES
 FT Ord. 1,242.5 (-10)
 FT-A All Share 504.43 (-0.44)
 FT-100 1,273.4 (-10)
 FT-A long 20-year yield index:
 High coupon: 9.78 (9.68)
 New York lunchtime:
 DJ Ind. Av. 2,013.25 (-38.63)
 Tokyo:
 Nikkei 22,872.56 (+80.43)

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 Michael Thompson-Noel reports from the mixed, multi-racial and modish cosmopolis that is modern Miami. **Page I**

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OVERSEAS NEWS

Michael Holman sums up Mrs Thatcher's visit to Kenya and Nigeria, where she promised to take a renewed interest in Africa
Prime ministerial safari that may lead on to Pretoria

INSPIRED by the flag-waving and enthusiasm of Kenyans, and encouraged by the response she received in Nigeria, Mrs Margaret Thatcher returned to London last night from her African safari. The continent should brace itself. She will be back - although probably not this year - with the homilies she delivered on this journey. On the virtues of self-reliance, the merits of the market economy and, above all, the futility of economic sanctions against South Africa.

from her visit to Africa as convinced as ever that punitive economic sanctions against Pretoria would be ineffectual and counter-productive. Nothing she heard from President Daniel arap Moi of Kenya or President Ibrahim Babangida of Nigeria has dented this conviction. With characteristic bluntness, she told Gen Babangida the idea that a concerted push from outside could destroy the South African economy is "an illusion". The response to this plain speaking from both Kenya and Nigeria will have shown, in Mrs Thatcher's view, that it is possible to disagree fundamentally with African governments over how to end apartheid while retaining good relations. Both African presidents asserted their belief that sanctions were necessary and called on the prime minister to change her policy.



REGAL STANCE: Mr and Mrs Thatcher with President Babangida

banquet on Thursday night when welcoming Mrs Thatcher. He told her that Nigeria was making considerable progress in rescheduling its \$28bn external debt and winning back the confidence of investors in the Nigerian economy. He went on to declare that much of the success was attributable to the understanding of Britain and to the UK's helpful influence in turn on other creditors. Like the front-line southern African states which have declined

to implement sanctions against South Africa, Gen Babangida was acknowledging an important economic reality. The result is that, although African states will not drop their call for sanctions, Mrs Thatcher will feel that her alternative policy received a fillip. During her African tour, she has been enthusiastically advocating what amounts to constructive engagement with Pretoria, combined with greater assistance to black front-line states in

their efforts to reduce transport links with South Africa. This is not new but what has been emerging in the course of her tour is the growing possibility that a visit to Pretoria by Mrs Thatcher may be coming closer. Mrs Thatcher treats the possibility cautiously: "If I thought it would help achieve the objective, I would go there (but) I do not think the time is now. It would be misconstrued by other people in Africa." More than anything, Mrs

Thatcher would need to be convinced that Pretoria had something substantial to offer her. Even so, the ground has been laid at least partially. By visiting Kenya (and airing the possibility of such a visit with President Moi) Mrs Thatcher has shown that she has not tried to do two things. The first is to convince African leaders that, while she differs with them over sanctions, she wholeheartedly supports them in their objective - an end to apartheid. The second, broader purpose is to continue wide-ranging consultation with black states that needs to precede a journey by her to South Africa. The main difficulty is finding time for this consultation. Mozambique (whose president, Mr Joaquim Chissano, is an admirer of Mrs Thatcher) has given her an open invitation. Malawi and Botswana would be happy to receive her. Mrs Thatcher hinted on Wednesday that an invitation to Zimbabwe may be in the offing. Downing Street believes that even President Kenneth Kaunda of Zambia, who accuses Mrs Thatcher of "kissing apartheid", would be prepared to invite her. No-one believes, however, that Mrs Thatcher will be in Pretoria this year, or probably not in the year after - just that the first tentative preparations for such a visit may be under way. Meanwhile, Mrs Thatcher has other African concerns which the journey this week illustrates. Although the issue was overshadowed

by the inevitable difference over South Africa, a substantial proportion of her time was spent discussing Africa's debt crisis and general economic malaise. Her hosts found Mrs Thatcher far more accommodating and understanding about debt relief than about sanctions. The prime minister listened attentively to Mr Moi's warning that the burden of service for the continent's \$200bn debt was intolerable, threatening economic recovery. She may not have convinced them enough as being done. Mrs Thatcher made much of the proposal put forward by Mr Nigel Lawson, the Chancellor for longer grace periods and subsidised rates of interest. After all, little progress has been made. However, there was a sympathetic hearing. In more general terms, the third development is that Africa has been exposed to Thatcherism. Not that Mrs Thatcher has offered self-help and self-reliance, free enterprise and the need to create an attractive investment climate, as well as, with Africa particularly in mind, the need for self-sufficiency in food production and a healthy agricultural system. This year ago a predecessor of hers, Mr Harold Macmillan, left his mark on the continent when he spoke of "a wind of change", referring to the upsurge in African nationalism. Mrs Thatcher's visit began with the modest intention of, as she put it, getting to know Africa better but she too may well have left her mark, in her own way.

John Elliott, recently at Gulmarg in Kashmir, samples a tourism first
India set to ski on roof of world

INDIA is opening its closely guarded and militarily sensitive border area with Pakistan, among snow-covered peaks of the Himalayan mountains in order to entice a fledgling skiing area in the northern state of Jammu and Kashmir. Tomorrow morning, a group of expert skiers from Europe are to fly in a French helicopter to the 14,000-foot peak of the Appahat mountain. They will come down a 10-km ski run above the small tourist village of Gulmarg, which is about six kms by air from the Indian line of control, bordering Pakistan in territory long disputed by the two countries. They will be launching India's first heli-skiing holidays in an area which Mr Rajiv Gandhi, Indian Prime Minister, and Dr Farooq Abdullah, Kashmiri Chief Minister, want to develop into a centre big enough to host the winter Asian Games in 1994. Mr Sylvain Saudan, a Swiss pioneer of heli-skiing in Europe and Canada, has been hired by the Indian Government to run the trips, which form part of a \$4,500 holiday, including return flights from Europe and six days skiing. Heli-skiers want to come to India because the mountains and valleys here are bigger than in Europe, the runs are longer, and it is all virgin area, said Mr Saudan, when Dr Abdullah launched the holiday in Gulmarg this week. Till now, the upper reaches of these mountains, which have army look-out posts on their highest ridges, have only been used by the Indian army's mountain warfare teams who have their own ski schools with lifts and runs. Practice gunfire can often be heard echoing through the densely wooded valleys. Cross-border clashes usually take place further to the south, at Poonch, and the main Indo-Pakistan battle area on the Stachen glacier is 300kms away to the north-east. Tourist skiing has been limited to a handful of short runs around Gulmarg, India's only developed ski resort, 9,000ft above sea level. The drag and chair lifts are restricted by the vagaries of India's mechanical and electrical breakdowns - and so far this winter by a shortage of snow. However, Pomalski, a French company, has a \$20m-rupee (\$20m) turnkey contract to build a 5km cable car line up the Appahat mountain, which will allow 10km ski runs down to Gulmarg. The heli-skiing will also go to the top of the 18,000-foot Kholai mountain to the east of Kashmir's capital of Srinagar. Mr Saudan has his own four-seat Heli-Union Alouette helicopter to take the skiers to the mountain tops, and the Indian government has agreed to him using a foreign pilot in this sensitive air space. Two bigger helicopters are being used to take tourists from Srinagar to the mountains - an Indian Army Soviet Mi-7 helicopter or one of the fleet of Westland 30 helicopters sold to India two years ago and paid for by British Government aid.

Sharp rise in W German jobless

BY DAVID MARSH IN BONN The West German government yesterday ran into heavy opposition to its plans to tighten fiscal policy in 1989 as it digested news of a further sharp rise in unemployment in December. Mr Erhard Strauss, Bavarian Prime Minister and leader of the conservative Bavarian coalition party, criticised plans adopted on Thursday by the Bonn cabinet to cut federal government borrowing by at least DM 10bn (\$3.5bn) next year. Mr Strauss said the economy was in a sensitive phase and plans for tax increases in 1989 added up to a fresh psychological burden. Criticism also came from members of the other junior coalition partner, the Free Democratic Party, as well as from the opposition Social Democratic Party. Mr Heinrich Franke, the labour office president, linked the rise in unemployment to the effect of currency unrest on companies' hiring plans. Government spokesmen in Bonn said many companies were postponing staff recruitment because of economic uncertainty. The December unemployment rate represented 9.2 per cent of the labour force against 8.5 per cent last year worked through to the labour market, unemployment at the end of December was about 90,000 higher than the level at the end of 1986.

Rivalries tug Goria government in direction of collapse

BY JOHN WYLES IN ROME MR GIOVANNI Goria, the Italian prime minister, returns tomorrow from a tour of south Asia to find his government being tugged in the direction of collapse by its own errors and by internal rivalries within the dominant Christian Democratic Party. Always short on authority since its inception last July, the five-party coalition's standing is sinking to critically low levels. A new round of highly disruptive strikes by Alitalia ground staff is set to resume on Monday despite ministerial attempts to mediate a pay deal, while the chances of steering the 1988 budget proposal, already seriously delayed, through the Parliament by the end of January look increasingly remote. It is also now an open question whether the government may not have to re-think its approval for the privatisation of Mediobanca, Italy's most powerful merchant bank. Mr Paolo Cirino Pomicino, the Christian Democrat chairman of the formidable Budget committee of the parliament, has publicly declared his opposition to the terms of the privatisation plan, preferring that majority control remain in public hands. Mr Pomicino's committee does not have powers of veto over the Mediobanca proposal but there is some speculation that it will be holding company which controls the merchant bank, that after hearings on January 18 it will be able to force the government to revoke its approval of the privatisation plan. But Mr Pomicino's most dangerous thrust could come from the crucial influence he and his

Alfonsin tax bill is passed

BY OUR FOREIGN STAFF PRESIDENT RAUL Alfonsin's controversial tax package was passed by the Argentine Congress yesterday as inflation was reported to have reached 175 per cent last year, more than double the 1986 figure. The tax bill, which raises petrol sales tax by 29 per cent and includes other steep increases, is intended to curb a budget deficit that bankers believe totalled at least 7 per cent of gross domestic product last year. Inflation and the budgetary deficit are major issues for a team of officials from the international Monetary Fund who arrived in Buenos Aires last Wednesday to review the government's progress under the \$1,250m standby agreement passed a year ago. The budget deficit target was raised at the middle of last year from an original 2.5 per cent of GDP to 4 per cent, and both sides quietly agreed to abandon an inflation goal that had been set at 12 per cent. Inflation has not been seen to have more than doubled the 1986 total of 61.5 per cent and bankers here question how much benefit the tax bill will bring to the budget. Hours before the tax bill was passed, Congress also approved legislation giving the government more than half the total revenues raised by the government. Official efforts to hold down inflation during the next few months are complicated by the government's attempt to lift emergency price controls imposed last October and another recently approved bill permitting a return to free collective wage bargaining.

US puts pressure on Panama

BY LIONEL BARBER IN WASHINGTON THE US is intensifying its campaign to press Panama's strongman, General Manuel Noriega, to step down and allow free elections there. Last week, a senior Pentagon official, Mr Richard Armitage met Gen. Noriega in Panama and urged him to allow presidential and congressional elections in 1989 without interference from the Panamanian military. The Armitage mission follows several months of public criticism by the Reagan Administration of human rights abuses in Panama. Last July, the administration froze some \$26m (\$14.4m) of US aid and Congress then cut off all aid, except humanitarian relief. The diplomatic mission appears similar to former Senator Paul Laxalt's visit to the Philippines in 1986 to urge the then President Ferdinand Marcos to allow free elections. However, US officials play down the similarities, noting that the Roman Catholic Church and political opposition has proved less effective in Panama, while Gen. Noriega is head of the powerful armed forces, is more entrenched than President Marcos. Gen. Noriega has been able to exploit differences between the US State Department and the Pentagon over Panama. The State Department has tended to play up human rights, while the Pentagon has stressed Panama's strategic importance. One Latin American diplomat in Washington said, "What the US wanted to do was to give Noriega the message that it is speaking with one voice". US concern about Gen. Noriega rose after reports that he had made overtures to Libya and the Soviet Union to help offset the loss of US aid. Panama's bank reserves fell sharply following civil disturbances last summer, triggered by allegations of election-rigging and the murder of a prominent political opposition figure.

Dole ahead of Bush in Iowa poll

SENATOR Robert Dole of Kansas, capitalising on dissatisfaction with President Ronald Reagan, is leading Vice-President George Bush among Iowa Republicans with a month to go before the presidential nominating caucuses there, Reuters reports. According to a poll yesterday by the Des Moines Register, Mr Dole, the Senate Republican leader, was running nearly even among the two-thirds of Iowa Republicans who approve of the way President Reagan is doing his job. But among the one-quarter of Republicans who do not approve of Mr Reagan's performance, Mr Dole was leading Mr Bush by more than two to one - 53 to 21 per cent. Mr Hart, with 26 per cent, led among those Iowa Democrats who said they were least likely to attend the February 8 caucuses. Some 18 per cent of those Democrats favoured Mr Simon, 11 per cent the Massachusetts Governor, Mr Mike Dukakis, 10 per cent Representative Dick Gephardt of Missouri, and 8 per cent the Rev. Jesse Jackson. But the poll also indicated that support for Mr Hart, who re-entered the race seven months after reports of an affair with Ms Donna Rice, a Miami model, fell to 11 per cent. Among Democrats most certain of attending the caucuses, Mr Simon had 24 per cent, with Mr Dukakis at 16, Mr Gephardt at 12, and Mr Jackson at 11 per cent. The Iowa caucuses, the first major test for presidential candidates, select the Iowa delegates to the Democratic presidential nominating convention in Atlantic City and the Republican convention in New Orleans in August.

Shell sues Dutch city over SA boycott

SHELL, the Dutch-British oil multinational, is suing the Dutch city of Hilversum over its refusal to do business with the group Africa. A company spokesman said yesterday a court spokesman. The lawsuit is the first time that Shell, a prime target of the Dutch anti-apartheid lobby, is resorting to court action to fight the job's boycott attempts. The company is seeking an injunction order to make the city consider a bid by Shell. As issue is Hilversum's refusal to supply petrol, diesel fuel and lubricants for municipal vehicles, and heating oil for city buildings. The current contract holder is Mobil Oil. "We filed our bid in November, and were notified only days later by Hilversum City Hall that our bid wouldn't even be considered because of our presence in South Africa," the Shell spokesman said.

Inkatha, UDF sign peace plea

BY ANTHONY ROBINSON IN JOHANNESBURG AFTER months of violence in the black townships around Pietermaritzburg, local church leaders yesterday announced that the United Democratic Front (UDF) and the Zulu Inkatha movement had signed a church-inspired document calling on their supporters to stop committing acts of violence immediately. This is the first time the two warring factions have signed a joint document to end the violence which has caused nearly 300 deaths in fighting with home-made weapons in the sprawling townships and small villages around the Natal provincial capital. Earlier attempts by Archbishop Desmond Tutu, South Africa's Anglican Primate, to mediate in the dispute faltered because of doubts by Inkatha as to the Archbishop's impartiality. Inkatha believes many churchmen side with the UDF organisations. An Inkatha spokesman said yesterday the movement had been prepared to sign such a document in November but had insisted that leaders of both sides should stand together on the same platform to announce it. This never happened and the document was withdrawn. The latest appeal was presented to the two sides separately. Although it was signed by both, a high degree of mutual suspicion remains. Meanwhile, the police have sent in heavy reinforcements to the area to try to keep the two sides apart.

HK banks stop interest on some deposits

HONG KONG banks have stopped or sharply reduced interest payments on some deposits as the British colony tries to curb speculation that it will revalue its currency. Reuters reports from Hong Kong. The Shanghai Commercial Bank, a small local bank, said it would not pay interest on time deposits of less than six months. The Bank of East Asia quoted interest at an annual rate of 1/64 per cent on one-week deposits, though bigger banks said they were still paying 1/2 per cent on small deposits, the rate set by the local bank association. The moves occurred amid talks by the colony's bank association on the possible introduction of negative interest rates, or fees, on big bank deposits. Many currency dealers said they expected negative rates to be imposed this month to halt speculation that Hong Kong would revalue its currency, pegged at 7.5 to the US dollar. The revaluation would be costly for big speculators to hold deposits in the local currency. Washington has been pressuring Hong Kong to revalue the currency, a move that would make the colony's exports more competitive and help cut the huge US trade deficit. On Wednesday, Senator Lloyd Bentsen of the US said trade sanctions might be imposed if the currency were not revalued. Hong Kong has adamantly refused to bow to US pressure, saying the peg was needed to maintain political confidence in the colony, which reverts to Chinese rule in 1997.

Mexican inflation hits record 159%

BY DAVID GARDNER IN MEXICO CITY MEXICAN consumer prices increased 14.9 per cent in December, raising inflation in 1987 to the historic high of 159.2 per cent, against 106.7 per cent last year, and more than double this year's target. Monthly inflation of about 15 per cent was expected for last month and in January, following huge one-off price rises on public sector goods and services in mid-December, as part of the new anti-inflation programme. The key plank of this programme are voluntary wage and price controls, a temporarily fixed exchange rate and a 60 per cent of GDP fiscal adjustment aimed at balancing the budget net of inflation, and the halving of import duties towards a weighted average tariff of 12 per cent. December's price rises and the devaluation of the peso prior to his election, had pegged against the dollar were expected to fuel a burst of near hyperinflation. This week also rates on Treasury bill (Cetes) were increased by up to 23 percentage points. This week's Cetes auction successfully placed \$5bn, over three times normal, working on US military bases there, by the fiscal year 1990. The decision, announced yesterday, would imply an increase of \$4.2bn (\$108m) or nearly 8 per cent in Japan's total contribution to the costs of US forces in Japan. Coming only a few days before the visit of Mr Noboru Takeshita, the Japanese prime minister, to this US, the announcement is seen as a major step towards one source of American criticism of Japan. The Japanese Government announced last October that it would raise its share of US forces costs in Japan in lieu of making a military contribution to the security of shipping in the Gulf. Japan, a major consumer of oil from the Gulf, has been criticised for not participating in the security effort in the Gulf, but the country's peace constitution prohibits the deployment of Japanese forces in overseas military operations.

Japan to pay more towards US bases

BY IAN RODGER IN TOKYO THE JAPANESE Government will raise substantially the portion it pays of the costs associated with Japanese personnel working on US military bases there, by the fiscal year 1990. The decision, announced yesterday, would imply an increase of \$4.2bn (\$108m) or nearly 8 per cent in Japan's total contribution to the costs of US forces in Japan. Coming only a few days before the visit of Mr Noboru Takeshita, the Japanese prime minister, to this US, the announcement is seen as a major step towards one source of American criticism of Japan. The Japanese Government announced last October that it would raise its share of US forces costs in Japan in lieu of making a military contribution to the security of shipping in the Gulf. Japan, a major consumer of oil from the Gulf, has been criticised for not participating in the security effort in the Gulf, but the country's peace constitution prohibits the deployment of Japanese forces in overseas military operations.

UK and India in defence link

BY JOHN ELLIOTT IN NEW DELHI BRITAIN hopes to sign a memorandum of understanding with India in March for joint defence research projects aimed at increasing the number of manufacturing joint ventures between the two countries. This was announced here last night by Mr George Younger, Britain's Defence Secretary, at the start of a four day visit to India. The UK hopes the visit will mark a new period of co-operation. Earlier in the day he met Mr K.C. Pant, the Indian Defence Minister. The joint projects will be in electronics and army equipment. Mr Younger said the UK had agreed to waive various restrictions on the transfer of sensitive high technology in order to reach its understanding with India. India is one of the UK's biggest defence customers and bought equipment worth £2.5bn between 1985 and 1986. Current orders include more than 40 Westland Sea King helicopters and 27 British Aerospace Sea Harrier jump jets, together costing about £500m, and a contract worth about £13m for jointly manufacturing 76 Jaguar fighter aircraft in India, after selling 40 direct from the UK. Yesterday Mr Younger discussed a possible order for approximately 80 British Aerospace Hawk jet trainers worth \$76m.

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OVERSEAS NEWS

UK NEWS

Stefan Wagstyl on Tokyo's support for the dollar Breathing space gained but manoeuvres limited

CENTRAL BANK governors this week won a little breathing space in their battle to prop up the US dollar, but their victory may be short-lived, according to currency designers, bankers and economists in Tokyo.

The central banks of the G7 leading industrialised countries timed their move perfectly, they said. In buying dollars while many investors were still away on their New Year holidays, they took a thin market by surprise and achieved the maximum impact for the money spent. As a result, the US currency rose from an all-time low of ¥120.25 in early trading in Japan on Monday to close at ¥129.45 yesterday.

The Japanese Government played its part, with the central bank buying an estimated \$1.5bn worth of dollars this week and spokesmen led by Mr Masao Miyazawa, Finance Minister, fired successive volleys of words in support of the dollar.

The crucial element in the market, though, was the US Federal Reserve, said Tokyo bankers and dealers. The Fed at last wholeheartedly supported the Bank of Japan and the West German Bundesbank in buying dollars, having stood on the sidelines for months.

This time there was concerted action with full US participation, said Mr Teizo Taya, an economist with Daiwa Securities Research Institute, an affiliate of Daiwa, the securities group.

Tokyo bankers and economists agree that the apparent shift in the Fed's position has put a temporary stop to the dollar's slide by placing financial muscle behind the G7 countries' pre-Christmas agreement that a further decline in the US currency would be "counter-productive".

Mr Richard Koo, a senior economist at Nomura Research Institute (owned by Daiwa Securities), says the central banks have "put a sense of two-way risk back into the market." Before

Christmas, speculators betting on the dollar's continued fall could not lose because central banks seemed to be acting only to slow the decline. Now they have tried to reverse it, says Mr Koo.

However, Japanese institutions are not expected to start making large investments in the dollar even short-term ones. With the end of the financial year approaching - February 26 for pension funds and March 31 for insurance companies - institutions are keeping their money in safe yen rather than betting on

enough to try to start reducing its current account and government budget deficits. Moreover, the administration's room for manoeuvre this year will be limited by the imminence of the US presidential election.

This could effect short-term tactics as well as long-term strategy. At Nomura Research, Mr Koo believes that the Fed's ability to buy dollars this year might be constrained by fears that this could provoke an unwelcome pre-election rise in interest rates. There is a widespread sense in Tokyo that the Japanese Government will continue to co-operate in five-fighting missions in the current year. Foreign exchange reserves, which were lifted through dollar-buying last year by \$29.2bn to a record \$81.5bn, could easily go higher.

Tokyo analysts agree there is little more Japan can do to help solve the deep-rooted US economic difficulties. Under pressure from its trading partners, Japan has increased public works spending, stimulating the economy so domestically that increases in domestic demand are now more than compensating for declines in external demand.

Private economists do not seriously quarrel with Government forecasts of a 3.8 per cent increase in economic growth in the fiscal year from March. There are fears that a sudden further collapse in the dollar, say to ¥110, would have a serious impact on Japanese exporters. But the belief is that, as long as the speed of any further decline can be limited, Japanese industry will prosper.

In Japanese eyes, the greatest risk is that US will eventually resort to desperate measures. Unable or unwilling to deal with his difficulties in other ways, a post-election US president might adopt protectionist policies. "That's the development we fear," says Daiwa Research's Mr Taya.



W German move for computer production

By Terry Dodsworth, Industrial Editor

WHITECHAPEL Workstations, the three-year-old London computer group, is embarking on a major expansion programme in which it will transfer all its manufacturing to a West German company.

The decision coincides with the launch of a desktop workstation computer aimed at the top end of the market for machines designed for scientific and technical applications.

Whitechapel is planning to sell about 400 such workstations this year, mainly in the UK, but also in western Europe and the US. It will have production capacity for about 2,000 available at the West German plant, owned by CTM, a subsidiary of the Alcatel telecommunications group of France.

Mr Bob Haire, managing director of Whitechapel, says the decision to relocate manufacturing at the company's site in east London was based on the rapid expansion being planned for the group.

Decisions on the order in which the authorities will be asked to poll the population will in the autumn, but the key to success or failure might lie with Thames Water, by far the largest and most profitable. It serves a quarter of the population of England and Wales, has a turnover of £550m and profits last year of \$10m.

Thames is unlikely to be the first to be floated, partly because it would be tactically more sensible to test the temperature with a smaller authority, and partly because of ruffled feelings left by the running battle Mr Roy Watts, chairman of Thames, has been conducting with ministers over the industry's structure after privatisation.

But Thames has nevertheless been preparing for early privatisation with a series of internal and external policy changes to make it more attractive to investors and more commercially competitive.

Richard Evans on preparations for a controversial privatisation Water authorities learn to float

THE TRANSFER of the 10 water authorities in England and Wales from the public to the private sector is probably the most contentious of all the Government's privatisation proposals.

Although the first flotation will not happen before next year and most authorities will probably have to wait until 1990, there have already been substantial changes in management structures and attitudes as privatisation has become increasingly likely.

From a position that ranged originally from outright disbelief and scepticism to guarded support for privatisation, the chairman and senior management of all 10 authorities are now in favour, largely because of the increased commercial freedom it would bring.

First, after the formation of Thames and the other authorities from hundreds of local-authority-controlled water boards, in 1974, came the cost containment phase, when the creation of sound control and appraisal processes was the top priority.

It was a period of careful consolidation, when few risks were taken but a sound financial base was secured.

Then, from 1979 to 1985, came the cost reduction phase, coinciding largely with Mrs Thatcher's first administration. Corporate planning processes were sharpened with an emphasis on efficiency savings. Grid management was reduced by 25 per cent.

Another area of potential profitability is property. All the water authorities have large amounts of land that could be developed, but the public-sector attitude has been to hang on to it in case of future need. That might change after privatisation.

Alongside the organisational changes, there have been alterations in management processes. Profit-centre accounting has been introduced to encourage greater attention to income generation rather than to cost reduction in isolation.



Roy Watts: fighting a running battle with ministers

before privatisation was proposed towards the end of 1985, but the prospect of flotation and greater competition has undoubtedly hastened the process.

Mr David Luffman, finance director of Thames and one of the executives charged with preparing for flotation as water services public limited companies, sees three phases in the authority's evolution.

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It was a period of disturbance for staff, but Thames emerged from it a leaner and financially healthier business.

Halfway through the period, Mr Watts, one of the keenest advocates of privatisation, became chairman. He led the third phase, concentrating on commercialisation from 1985 to 1987, when the seeds were sown for Thames to be run as a fully fledged private enterprise.

"The key question was how could growth be obtained in a business where demands for mature core (water and sewerage) services were increasing slowly," says Mr Luffman.

It was decided to establish a new enterprise department, the prime function of which was to identify and develop opportunities for growth.

Three areas were targeted for expansion - better leisure facilities on the Thames, including development of piers; additional services for customers related to water supply such as plumbing; and international consultancy services.

At present these form a tiny part of Thames's business, but the prospects for growth there, international consultancy in India, Sri Lanka, Jordan and other countries amounts to under £15m a year at present, but the intention, once privatisation gives the commercial freedom, is to expand rapidly. One target market is the US, where the water supply industry is very fragmented.

"We have to tread carefully at present because we do not have the statutory powers, but the potential is certainly there," says Mr Luffman.

Philippine communists 'will attack US businesses'

By Richard Gourlay in Manila

THE COMMUNIST-LED New People's Army of the Philippines has said for the first time that it will strike at US businesses, as well as US troops, stationed in the Philippines.

Targets of NPA operations have been redefined to include not only the Armed Forces of the Philippines but also US imperialist advisers, troops, agents and business enterprises.

The rebel army said in an article just released in a Communist Party broadsheet.

In December, two US companies pulled senior managers out of Manila for extended holidays after a member of President Corason Aquino's staff said officers of the American Chamber of

Commerce "could become targets for counter-action". It is unclear where the warning came from and whether officials say they have received no direct threats from the communists.

The party's publication charged that the killing last October of three Americans - two active-duty servicemen and one retired soldier - near a US Air Force establishment at Clark Air Base had resulted from a deliberate change in party policy.

It referred to the killings as "a correct and timely response to heightened and more direct imperialist intervention in the country's internal affairs." Just before the incident an American helicopter from Clark helped

ferry wounded Philippine troops to a military hospital after an encounter with NPA rebels.

The rebels have long been part of daily life for foreign companies operating outside large urban centres. Many of them appear to have reached a modus vivandus with the NPA, which now has numbers about 12,000-13,000 armed personnel and have been fighting the Philippines government for 20 years.

It is generally believed that these companies pay what the NPA calls "revolutionary taxes", as local companies and certain individuals pay protection money, although companies deny this.

Sri Lanka minister seeks poll

By Mervyn de Silva in Colombo

SRI LANKA'S best known minister, Mr Ronnie de Mel, has created an unprecedented furore in Cabinet with an outspoken public attack on Government policy and criticism of actions by President Junius Jayawardene.

Mr de Mel is one of the world's longest-serving finance ministers, with 10 successive years in office, and is internationally recognised as almost solely responsible for having held the Sri Lankan economy together during the troubled years of ethnic strife and tumbling tourism revenues.

International bankers know, trust and respect him, which is why he has been able to secure successive aid agreements in spite of the violence of the past five years.

Mr de Mel appears to be responding to fears that the president might look for a similar manoeuvre to avoid an election in 1988. "We must hold elections before the people get up and say, 'In God's name go'", he told Parliament, adding that, if his hands had been free in 1982, he would have voted against the referendum.

He raised the topic again this week, telling a rally in his constituency at Bulathsinhala: "We are sitting on top of a volcano. I only believe in the ballot, not the bullet. Violence is always counter-productive in politics."

This is a direct contradiction of comments made by Mr Jayawardene in the south, the stronghold of the extremist Sinhalese JVP: "We shall answer violence with bullets. You are terrorist beasts and shall be exterminated". Mr de Mel, by contrast, has appealed for removal of the ban on the proscribed JVP, with support from Mr Ranasinghe Premadasa, the Prime Minister. But he opposes Mr de Mel's call for early elections.

Protests in Far East over US imports

SOUTH KOREAN farmers angry at planned US beef imports

protesters tried to storm the ministry, demanding to see Agriculture Minister Kim Joo-ho.

Mr Hiroshi Saito, an official of the Japan Dairy Farmers' Political League, sponsor of the demonstration, said participants were opposed to a reported government decision to accept fully a ruling by the General Agreement on Tariffs and Trade that Japan should lift its import restrictions on 10 farm products.

A Foreign Ministry official, however, said that a decision on whether to accept the Gatt ruling in full was still being discussed.

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Coal cost claim starts power station rethink

By Maurice Samuels

THE CHEAPEST coal in the UK is at Ballymore, in Northern Ireland, according to an Australian mining company which wants to supply a proposed private power station from local deposits of lignite, or brown coal.

Meekatharra Minerals has told Mr Cecil Parkinson, Energy Secretary, that it could provide the fuel at half the price quoted by British Petroleum, which has mining rights to West of Ireland's other big lignite deposit at Cramlin, County Antrim.

BP refused to comment on the Meekatharra claim. Meekatharra says the Ballymore lignite could be mined for £7.10 a tonne. The lignite price is a key factor in determining whether the next power station in the province will be privately owned or whether the Government will give precedence to publicly owned Northern Ireland Electricity, which wants to expand its capacity to use conventional coal.

Birmingham City Council row settled Former civil servant jailed

BY RICHARD TOMKINS, MIDLANDS CORRESPONDENT

THE EXTRAORDINARY dispute between Birmingham City Council and its outgoing chief executive, Mr Tom Caulcott, appeared yesterday to have been settled.

Mr Caulcott has written to the council apologising for remarks he is alleged to have made about its members and has been reinstated in his £26,000-a-year post.

However, Mr Caulcott, 60, will not be returning to his desk. He is to remain on fully paid leave of absence until his retirement in May.

Anger was provoked this week when Mr Caulcott was alleged to have made disparaging remarks about the council and its members while interviewing potential successors.

Mr Dick Knowles, the council's Labour leader, suspended Mr Caulcott with the intention of conducting an inquiry into the allegations, but a settlement was reached late on Thursday night after lengthy talks with Mr Caulcott and his representatives - the National and Local Government Officers' Association and the Association of Local Authority Chief Executives.

Former civil servant jailed

Financial Times Reporter

A FORMER senior civil servant at Hampton Court Palace, Middlesex, was jailed for three and a half years and fined £20,000 yesterday for corruption.

The Old Bailey heard that Mr John Trevillion, 64, the former district works officer, was involved in widespread corruption among public servants and private contractors over maintenance of the palace.

The jury found Mr Trevillion guilty of three charges of corruption and one of conspiracy to corrupt. He was ordered to pay £30,000 prosecution costs.

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DEBENI TEWSON CHINN International Pro LOOKING TO THE SECOND HALF WITH CONFIDENCE. Our first set of Interim Results as a quoted company includes many notable highlights. For the half year ending 31st October 1987, turnover rose to £9.8 million. Pre-tax profits have increased to £2.1 million. Earnings per share are up 48% to 5.11p and an interim dividend of 1.5p net per share has been declared. The Group's broad professional base is such that it is well placed to meet any short term fluctuations in any of the areas in which it operates and to continue its profitable expansion. For this reason we are confident that turnover will increase in the second half of the year. DEBENHAM TEWSON & CHINNOCKS International Property Advisers. For a copy of our Interim Results please write to: The Company Secretary, Debenham Tewson Chinnocks Holdings plc, Bancroft House, Paternoster Square, London EC4P 4ET.

UK NEWS

Tourism 'may face threat from weakness of dollar'

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT

A WARNING that Britain's tourism industry will face stiff competition this year because of the weak dollar was given yesterday by Mr John Lee, Minister for Tourism.



John Lee: operators cannot be complacent

Mr Lee said that although Britain had enjoyed a buoyant year for tourism and was now the fifth most popular tourist destination in the world, 'competition at the top can only get more fierce with the weaker dollar and the presidential election possibly keeping Americans at home.'

Change in hotel grading plan

BY OUR LEISURE INDUSTRIES CORRESPONDENT

THE CONTROVERSIAL crown classification scheme for grading hotels, introduced by the English Tourist Board last year, is to be amended to include assessments similar to those used by the motoring organisations.

duced by the board to give tourists an objective guide to hotels and was based solely on a range of criteria, such as the provision of room service, bedroom telephones and parking facilities.

puico, Mexico, for \$230. Meanwhile, the Consumers' Association warned in its Holiday Which? magazine yesterday that the holiday price war among Britain's package tour operators might threaten the quality of next summer's sunshine holidays.

The magazine says the price war, which started in 1986 and has intensified in recent weeks, has made the tour operators financially vulnerable. 'Some may be tempted to cut costs in any way they can, while others have cut their overheads and losses by merging into larger companies,' it says.

Rival civil engineers dispute China deal

By Nick Garnett

A ROW broke out yesterday between GEC Turbine Generators and Balfour Beatty, the civil engineering company, over the main contract for the proposed Yae Yang coal-fired power station in China.

Upjohn begins action over generic drug

BY PETER MARSH

UPJOHN, the US pharmaceutical company, has taken the first step in what might become a legal battle by big drugs concerns to cut sales in the UK of generic copies of branded medicines.

Washington town centre sold

BY PAUL CHEESEBRIGHT, PROPERTY CORRESPONDENT

POSTEL INVESTMENT Management, representing the pension fund investors in property, announced that it had sold the town centre of Washington, in the north-east, for \$20m.

Owen-Tory link likely says Alton

By Ivan Owen

SPECULATION by former allies of Dr David Owen that any success he achieves in preserving a seat of the Liberal Party in the forthcoming general election will result in it being linked with the Conservative Party was given fresh impetus yesterday.

Bids invited for County Hall

BY OUR PROPERTY CORRESPONDENT

THE SALE of County Hall, former headquarters of the Greater London Council, has entered its final phase with an invitation to 20 companies and consortia to submit bids by April 8.

Jobs to be lost as Oldham brewery shuts

By Lisa Wood

RODDINGTON, the Manchester-based brewer, is to close its Oldham brewery and three distribution depots this year with the loss of up to 200 jobs.

Airline to continue operating

BY CLAY HARRIS

JOINT administrators were yesterday appointed by the High Court to reorganise British Air Ferries, the Southend-based aircraft charter company, and an associated engineering and maintenance business.

March opening for Gatwick terminal

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE \$250m North Terminal at Gatwick Airport, London's second airport after Heathrow, is to be opened by the Queen on March 18 and will handle 10 million passengers on March 22, it was announced yesterday.

Accountants displace artists as undergraduates get to work

BY DAVID CHURCHILL

TOUGHER curbs on foam-filled furniture were called for yesterday by the City and Assistant Chief Fire Officers Association in response to the recent spate of fires in the home in which several children have died.

Communist plan new party

By Ivor Owen

DIVISIONS among Britain's Communists deepened yesterday with the announcement that a new party is to be formed.

Antique dealers merge

BY ANTHONY THORNTON

THREE OF London's leading antique dealers are joining forces to form the largest company of its kind.

Marconi wins armv contract

By David Buchan

THE DEFENCE Ministry has awarded a £15m contract to Marconi Command and Control Systems to make chemical detectors for the armed services.

Tougher foam furniture curbs urged

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Accountants displace artists as undergraduates get to work

BY DAVID CHURCHILL

THE SUBJECTS British university candidates wish to study are changing at a pace faster than universities can adapt to match the supply of student places to shifting requirements.

Michael Dixon on the trend of student choices

undergraduate places in 1985 and 1986, when the effects of the population fall were already being felt.

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THE SUBJECTS British university candidates wish to study are changing at a pace faster than universities can adapt to match the supply of student places to shifting requirements.

Table with 4 columns: Subject, Rank, No of UK applicants, % taken, Rank, No of UK applicants, % taken. Lists 20 most popular university subjects for 1986 and 1985.

Source: Universities' Council Council on Admissions.

كلنا من العمال

TV-am in talks with ACTT over dispute

A DIRECTOR of TV-am, ITV's breakfast television company, has met an official of the ACTT technicians' union in private to try to agree terms for talks to settle the long-running industrial dispute.

Striking miners bring 20 Yorkshire pits to a halt

BY CHARLES LEADSEATER, LABOUR STAFF TWENTY pits in the Yorkshire coalfield, which employ about 15,000 miners, were at a standstill yesterday after miners refused to cross picket lines mounted by striking miners from Bentley colliery.

Barclays announces two-year pay deal

BY JOHN GEPHER, LABOUR STAFF BARCLAYS BANK announced yesterday a two-year pay deal with its majority union - the first such agreement in a leading clearing bank.

APPOINTMENTS

Cornhill Insurance chairman

CORNHILL INSURANCE is making the following changes on July 1: Mr Cecil Burrows, general manager and chief executive, will become chairman in succession to Mr Julian Faber.

Union support in new towns 'undiminished'

BY PHILIP BASSETT, LABOUR EDITOR EMPLOYEE relations in larger plants in new towns are 'remarkably similar' to the rest of the UK, according to a recent study.

Prison officers agree on talks to avert strike

BY JIMMY BURNS, LABOUR STAFF THE Home Office and leaders of the Prison Officers' Association yesterday agreed on a programme of talks aimed at averting renewed industrial action at prisons in protest over manning levels.

David Brindle examines the history and arguments for and against nurses striking

Unpleasant medicine to remedy pay plan

SHOULD nurses strike? Not according to Britain's tabloid newspapers, where the majority view yesterday was that Thursday night's stoppage by 33 staff at Manchester North General Hospital had done the profession immeasurable harm.



Mr John Hire, chairman, SKF Automation Systems

Mr John Hire, chairman, SKF Automation Systems, has been appointed director of SKF Engineering Products.

CONTRACTS

Salisbury Square office project



Laud Securities has awarded TAYLOR WOODROW CONSTRUCTION a \$25m contract for the construction of a 114,400 sq ft (net) office development at 8 Salisbury Square, London EC4. Work will start on January 11, following completion of the demolition of the existing buildings which is being carried out by McWeeny Smallman & Co.

Greek alumina refinery scheme

A KAISER ENGINEERS, INC. subsidiary will manage design and construction of a US\$550m (€305m) alumina refinery project at Thivi, Greece, for Hellenic Alumina Industries S.A. (ELVA), Athens, a unit of the Hellenic Industrial Development Bank.

Rewarding doctors and nurses for good management

THE CONSULTANT surgeon kept his Fridays free to play golf, which meant scheduling all his operations between Mondays and Thursdays. The consequent knock-on cost to the National Health Service in overtime payments to staff was \$1m a year, writes Ian Hamilton Fazel.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4 4AB
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Saturday January 9 1988

G7 pulls off a trick

THE CENTRAL banks of the Group of Seven have decided to open the New Year in the festive spirit, by pulling off a conjuring trick. A good trick needs three elements: surprise, misdirection and defiance of reality. Events of last week lived up to requirements in all respect.

The surprise was provided by the intervention itself. Most participants in foreign exchange markets had concluded that the dollar could have only one direction, but intervention was a sufficiently large scale to reverse it. Traders who had sold the dollar short rushed to cover themselves, so ensuring two-way trading and substantial losses for themselves. The result was remarkable. On Christmas Eve the dollar was at 126 yen and DM1.63; on New Year's eve it was at 121 yen and a little below DM1.58, but on Friday afternoon it was back to 129 yen and DM1.65.

What made intervention particularly effective was the participation of the Federal Reserve. On the principle that action speaks louder than words, the involvement of the Federal Reserve, coupled with the remarks of Mr Manuel Johnson, the vice-chairman, have gone some way towards undermining statements by Mr Beryl Sprinkle, chairman of the Council of Economic Advisers, last month.

Then there is the misdirection. The Group of Seven communique of December 23 remarked that "the Ministers and Governors agreed that either excessive fluctuation of exchange rates, a further decline of the dollar, or a rise in the dollar... could be counter-productive." Such a statement demands exegesis and last week received it.

Mr Balladur, the French Finance Minister, has agreed a secret pact to defend the dollar. Rumours circulated in Tokyo that a range for the yen against the dollar had been established. Meanwhile, Mr Johnson pointed out that there was any upper limit to the dollar. All this is a rerun of experience under the Louvre accord, with its "now you see them, now you don't" target zones. Such confusion inhibits the taking of speculative positions in the short term, but experience in 1987 has demonstrated that uncertainty about zones and the rules governing them does not amount to a satisfactory policy in the longer term. Finally, a good trick should defy reality. Fundamentals remain against stability for the

Record deficit

What investors need is, at least, a turnaround in the trend of trade deficits. It is worth noting, however, that November's figures need to be very good, indeed, to offset October's record trade deficit of \$17.8bn.

Where the authorities are right is to make a trial of adjustment at present exchange rates. A further decline of the dollar could be dangerous, at least without additional adjustments in macroeconomic policy, but exchange rate stability will, unfortunately, prove elusive without them.

The prospects look even gloomier after the announcement by Mr Gerhard Stoltenberg, the West German Finance Minister, that an upward revision in the expected fiscal deficit for 1988 to DM40bn (DM29.5bn being the target) needs to be offset by a reduction of DM10bn in borrowing in the following year.

The arguments for such an adjustment are quite unconvincing. The proximate causes of the overrun are the Bundesbank's paper losses on foreign exchange intervention and unexpectedly large contributions to the European Community. Both reflect the decline in the dollar and the latter also reflects the unwillingness of West Germany to contemplate more sensible farm prices. More profoundly, the fiscal problem reflects slow growth and cannot justify actions to make it still slower. If West Germany feels required to pursue a more restrictive policy, then the freedom of manoeuvre of other European countries will disappear. The UK, for example, already looks overstretched, as the Governor of the Bank of England remarked this week, and can hardly risk further stimulus. France, too, feels tightly constrained.

Conjuring tricks are fun. They can even dazzle the beholders for a while. Unfortunately, they conceal rather than transform reality. Whatever the events in the foreign exchange markets, the required transformation looks no closer at the beginning of 1988 than it did at the end of 1987.

TAX REFORM
The world plumps for neutrality

By Cedric Sandford

TAX REFORM has been high on the agenda for most developed countries for the last few years. It is particularly topical in the UK this weekend as Mr Nigel Lawson, the Chancellor of the Exchequer, gathers his advisers around him at Chequer for the first planning meeting of the Budget. It is there, in the light of the fundamental changes in taxation going on in other countries, that discussion will focus on British tax.

The United States tax reform of 1986 made the biggest splash although many other countries had dived into the pool before the US and done so more deeply. The US reform hit the headlines because of the claim that top personal income tax rates had been cut to 28 per cent. But it embodied no new taxes and, in a sense, no new principles. Essentially, all the US did was to cut personal income tax rates drastically, partly by reducing tax reliefs and concessions (so-called "tax expenditures") within personal and corporate income taxes and partly by transferring tax from the personal to the corporate sector.

In contrast, reforms in other countries have been much more fundamental. Australia has not only reduced tax expenditures and cut income tax rates, but has started to tax capital gains and introduced a fringe benefit tax on employers and a new corporation tax.

New Zealand has implemented a comprehensive package of reforms including a new broad-based VAT made more acceptable by new social security benefits, a broadening of the income tax base and slashing of income tax rates. New Zealand introduced a fringe benefit tax on employers before the Australians and, like them, is changing to the imputation system of corporation tax. After corporation tax the New Zealand government is committed to a further package of reforms including social welfare reforms in 1988.

In Ireland a Tax Commission, reporting over the period 1982-85, has made far-reaching proposals for a radical restructuring of the tax system - but so far there has been little government action. In Canada, some reform has already taken place and more is planned, on similar lines to the US, but also to include some form of federal VAT.

Tax reform is not confined to English-speaking countries. Japan has reformed its income tax and sought to introduce a sales tax. And in many European countries, for example France, Germany, the Netherlands, Denmark and Sweden, tax reform is happening, even if it is less dramatic than that across the Atlantic or the other side of the Pacific.

What has sparked all this interest and activity? It is a truism to say that tax reform has resulted from discontent with the existing tax system. But, in some countries, this discontent has reached extreme

Top rates of personal income tax



* Federal rates only; there are also provincial/state income taxes. ** New Zealand plans to move to a single, flat, 40% rate of income tax.

as gone as far as the Carter proposals suggest towards a comprehensive income tax base, though the Tax Commission advocated it in Ireland. But moves to broaden the base are widespread. The United States Tax Reform Act of 1986, besides removing various exemptions, reliefs and concessions from personal income tax, also provided that capital gains should be taxed as ordinary income; previously only a proportion of the gain had been subject to income tax.

Australia brought capital gains within the income tax code for the first time in 1986. In both Australia and New Zealand the new "taxes on fringe benefits" are essentially a restatement of the same broad-based philosophy: the tax is directed at employers because of the difficulty of taxing fringe benefits in the hands of the employees, but the intention is to discourage employers from making payments in this form so that they will disappear in favour of straight money payments taxable as wage and salary income in the

normal way. Thus New Zealand has set the fringe benefits tax equal to the highest marginal rate of income tax. In 1988 New Zealand plans to go further in broadening the income tax base by removing the tax concessions for superannuation and insurance; New Zealand is also considering a capital gains tax. Japan has lowered income tax rates, partly by removing some of the special savings incentives which were used as tax shelters by the wealthy. Canada and Germany have also embarked on a programme for lowering income tax rates partly by base broadening. Another important element, designed further to reduce personal income tax rates, is a switch to indirect taxation. Where countries already have a broad-based sales tax, notably VAT, it is increased. Sir Geoffrey Howe did this most dramatically in the United Kingdom in 1979, when the standard rate of VAT was raised from 8 to 15 per cent to pay for income tax cuts. In

goods and services tax (GST), is its wide base and single rate. VAT has been imposed at a 10 per cent rate on a very wide base - probably the widest of any country in the world. Food, clothes and housing are all taxed at the standard rate and the tax is made more acceptable by income tax reductions and by a new social benefit to protect families from price rises. The extent to which top income tax rates have fallen as a result of the reform policies in some of the most important developed countries is shown in the chart. In addition, a general reduction in rate scales and often a decrease in the number of rates has taken place and invariably tax thresholds have been significantly raised.

Corporation tax has also been the subject of tax reforms on principles similar to those which inspired the income tax changes. The reduction of corporation tax rates has often been accompanied, indeed made possible by, a broadening of the base by the removal of preferential capital allowances, as in the UK and the US. In Australia and New Zealand, corporation tax reform has included a move to an imputation system.

Underlying all these changes is a particular tax philosophy: an emphasis on "tax neutrality" and efficiency. A market philosophy dominates - taxes should interfere as little as possible with the free operation of market forces. Reducing income tax rates increases incentives to supply labour and capital. Widening the tax base of personal income tax removes distortions to investment and saving. A broad-based consumption tax is more efficient than a manufacturers tax (as in Canada) or a variety of wholesale taxes (as in Australia and New Zealand) and it also enables growth-creating reductions in income tax. An imputation system of corporation tax avoids (or reduces) the double taxation of dividends, and is neutral as between retention and distribution. This philosophy of tax neutrality - minimum tax interference in the working of markets - is not only espoused by conservative or right-wing governments, as in the US, the UK and Canada, but has been taken up and indeed taken further by the labour governments of Australia and New Zealand. Moreover it has been electorally popular; both these governments were returned to power in 1987 with more or less unchanged majorities. This is another factor which should appeal to Mr Lawson this weekend.

The author is Professor Emeritus at the University of Bath and former Director of the Bath University Centre for Fiscal Studies. A second article will appear next week.

Man in the News

Vittorio Cassoni

A believer in the intelligent shouting match

By Roderick Oram



EVERY DAY Vittorio Cassoni drives 35 miles from his home in a smart part of Manhattan to offices overlooking the square in Morristown, New Jersey, a rural town famous for a Revolutionary War battle against the British. Like any revolutionary general, he is trying to seize the high ground in a battle against powerful, entrenched forces. Mr Cassoni's struggle, however, is violent only in metaphor: he is engaged in one of the most critical fights in the computer industry. If he succeeds, he will help to lead a revolution in computer price-versus-performance ratios. If he loses, he will add to the ignominy American Telephone and Telegraph endured before he arrived 14 months ago, to head its deeply troubled Data Systems Group. In the past week the 45-year-old Italian electrical engineer, has gained territory in his battle - a success which will further his recovery plan for AT&T. The American telecommunications giant is to take a stake of up to 20 per cent in Sun Microsystems, a Californian company. The contrast between the two companies could not be more marked. Sun has taken the industry by storm since it was started less than six years ago by four 27-year-olds - two computer scientists and two MBAs. AT&T, crippled by a bureaucratic culture, some poor products and shaky strategy, ran up losses of more than \$2bn on computer sales of around \$8bn between 1984 and 1987, according to analysts' estimates. (AT&T, which remained profitable overall thanks to its long distance telephone services, refuses to comment on the figures.) Despite the contrasts, says Mr Cassoni, the two companies see eye to eye: "We share exactly the same vision. The initial failure of AT&T's foray into the computer industry left its credibility in tatters - and devastated the morale of its employees. Mr Cassoni, brought in from Olivetti, the

industry revolution, hinges on establishing a powerful market position for AT&T's crown jewel, the Unix computer operating system. Unix was developed in its Bell Laboratories but licensed cheaply to other developers, who have come up with differing versions. "Our overwhelming objective is to unify the Unix world," Mr Cassoni says. A major breakthrough came early last year when AT&T and Microsoft, a leading software company, agreed to unite on a new, common generation. This will help AT&T exploit a dramatic technological breakthrough in semiconductors. Chips designed on reduced instruction set computing (RISC) principles provide the opportunity for a leap forward in terms of performance. Unix, a powerful but somewhat cumbersome program, can make extremely effective use of RISC power. AT&T will obtain essential expertise from those who are the forefront of developments in both RISC and Unix. Three months ago, Sun agreed to supply chips to AT&T and to unify their differing forms of Unix. It was decided that AT&T should take a stake "to assure both our customers and industry at large that our endeavour is a strategy commitment on the part of both companies," says Mr Cassoni. Sun with \$537m in sales in the year to June 1987, makes workstations. These are extremely powerful desktop computers favoured by scientists and engineers, but which are finding wider applications

as they match the power of bigger machines at a fraction of the cost.

From the outset Sun has decided to build its machines around Unix. AT&T and Sun harbour grand ambitions for Unix. AT&T will be recognised for standard and open computing platforms," Mr Cassoni says, in contrast to the proprietary systems of competitors. Such systems are usually a costly impediment to users switching to other manufacturers' computers. Sun hopes its relationship with AT&T will help it grow into a major player across a wide swath of the computer industry. But the symbiosis can only work if AT&T has largely overcome its chronic cultural, strategic and structural deficiencies.

It already seems that Mr Cassoni's abundant enthusiasm has offered hope to his AT&T colleagues after their four years in the wilderness. "We have been able to abandon certain religious concepts," he says. Most notably, in October he won the right to a dedicated computer sales force instead of relying largely, as in the past, on the parent group's telephone equipment sales force. New products launched last autumn have been well received by users and costers have been slashed, together helping to reduce last year's loss to less than a third of 1986's.

The process has not always been peaceful: one of Mr Cassoni's colleagues says he enjoys "vigorous and open debate, he likes to let managers argue things out." Mr Cassoni said in an interview last year that he believed in shouting matches "as long as they were intelligent." AT&T is now on course to become recognised as a major player in the computer industry, Mr Cassoni says. It was only a few years ago that senior AT&T officials were saying exactly the same thing. Mr Cassoni's task is to ensure that history does not repeat itself.

EXPANSION PLAN - NEW HQ OFFICES - SHORT LIST

Prime Sites	Rent + Rates
South Hampshire	£10-00
The City	£66-30
Lower Hamlets	£37-70
Reading	£18-65

Sources: Debenham, Tewson & Chinnocks, 1987.

An independent report by Coopers & Lybrand Associates on Relocation Trends in the Financial Services Sector says of South Hampshire:

- "Property costs in South Hampshire are considerably lower than those current in London or the Thames Valley."
- "...within one hour of London fringe and Heathrow Airport."
- "We advise companies to include South Hampshire as a worthwhile area for detailed study when they are considering their relocation plans."

If you are looking for a new administrative centre, ask the Hampshire Development Association to send you a copy of this report and with it we will send details of around 20 sites in the M27 corridor suitable for offices of 20,000+ sq ft.

Please send me a copy of Relocation Trends in the Financial Services Sector. Post this coupon to the Hampshire Development Association, 13 Clifton Road, Winchester, Hampshire SO22 5BS or call Winchester (0962) 56060.

Name _____
Position _____
Company _____
Address _____
Postcode _____ Telephone _____

Andrew Gowers and Tony Walker in Jerusalem on the West Bank and Gaza turmoil

Anger heaped on frustration

A COLD WIND knifes across the barren hills. Small groups of Palestinian men huddle together in the dark under the guns of Israeli soldiers...

By Israeli soldiers inexperienced in crowd control, has produced a new crop of martyrs. Now, as present does it pose a serious threat to Israeli military control...

When it seized the West Bank and Gaza - along with the Golan Heights and Sinai - in 1967, Israel's aim in part was to secure a bargaining chip for some future negotiation...



Israeli soldiers seen this week leaving a Palestinian refugee camp in the Gaza strip

effects of the recent unrest has been to unite Israeli politicians around a tough line. Even Mr Shimon Peres, the Foreign Minister and Labour leader...

Britain's newspaper distributors meet their Wapping

FOR 190 years, W. H. Smith, the retail and information group, has distributed The Times newspaper to cities such as Birmingham, Manchester and Bristol.

has managed to impose his terms on the wholesale business. Mr Murdoch demonstrated in October his intention to turn the traditional wholesaler-publisher relationship on its head...

inevitable. Mr Bill O'Neill, managing director of News International Newspapers, says the aim was to reduce the number of wholesalers to create a more efficient service...

Most of them are reviewing their distribution networks and have been obtaining quotes from road freight companies. Mr Andrew Knight, chief executive of the Daily Telegraph, believes that the extra choice offered by the News International franchisees is potentially beneficial...

Raymond Snoddy

Only one kind of success

From Mr George Stern. Sir, It is amazing how uncritically everyone has received the claims made by Lord Thomson...

Letters to the Editor

A few more records to beat. From Mr John Butler. Sir, Your political correspondent says (January 4) that Mr Thatcher, having served eight years and 243 days, has become the longest-serving British Prime Minister since 1801...

Bulls, bears and scapgoats

From Mr Michael Hughes. Sir, In your Letters (January 18) castigating the stock market for being disconnected from business realities during the recent crash, and blaming market makers and short sellers in particular...

ADVERTISEMENTS

Table titled 'BUILDING SOCIETY INVESTMENT TERMS'. Columns include Product, Applied rate, Net CAR, Interest, Minimum, and Access and other details. It lists various investment options from different building societies.

Understanding needed for the institution of 'arranged' marriage

From the Principal, Asian Educational Consultants. Sir, John Elliot is pleasantly surprised (December 23) that a slim, tall, fair-skinned, attractive, convent-educated, Oxford and Harvard graduate...

responsible for arranging the marriage, and feel morally responsible for helping it to succeed. Another reason why arranged marriages succeed is that the parents invest a good deal of time and money in selecting or approving a partner for their son or daughter...

dates or courts her, he is never going to equal or surpass the mother's knowledge of the girl. She knows what type of partner is likely to suit her daughter. John Elliot has looked at arranged marriages with great sympathy and understanding, and he has earned the gratitude of many Asian boys and girls who live in the UK, but still believe in arranged marriages.

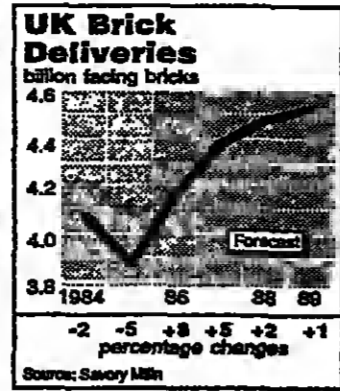
UK COMPANY NEWS

Hanson in £69m brick takeover

BY ANDREW TAYLOR

THE PIERCE competition to buy Britain's smaller brick companies was highlighted yesterday with the announcement of a £69m takeover bid for George Armitage and Sons, Hanson, the large industrial conglomerate.

Mr Malcolm Brown, building analyst with stockbroker James Capel, said the high price offered by Blue Circle and Hanson reflected the takeover enthusiasm for brick manufacturers.



the number of family shareholders had risen to 180, some of whom had been hampered from selling their shares by the unlisted status of the ordinary stock, only the preference stock is listed.

StanChart in \$C96m Canadian injection

By David Lascelles, Banking Editor

The Canadian subsidiary of Standard Chartered has reported a loss of \$C90.9m for its latest financial year because of mounting bad loans.

Sale of Australian operation boosts Borthwick's shares

BY MICHAEL SMITH

SHAREHOLDERS in Borthwick, the troubled food manufacturer and trader, yesterday saw the value of their investment rise by nearly 20 per cent after the company announced that it was pulling out of Australia after 100 years of trading in the country.

manufacturing businesses of flour, bakery products and meat. The rest of the group, including US trading, wool trading and the UK abattoirs business, is under review.



Lewis Robertson: expansion planned

both the Japanese and Australian businesses, has already paid £1m of the consideration and will pay the rest on completion, expected to be on February 1.

Bovis buys Ashby & Horner

By Philip Coggan

Bovis, the construction subsidiary of P&O has acquired Ashby & Horner, the oldest building company in the City, for £10m in cash.

Ashby & Horner was founded in 1740 and it has recently worked on the homes of the Queen (contracts awarded by the Property Services Agency for refurbishment at Buckingham Palace and Windsor Castle).

Martell bidders wait on ruling

BY LISA WOOD

THE French Treasury is expected to make an announcement next week on Martell, the French cognac house which is being pursued by Grand Metropolitan and Seagram, two of the world's major drinks companies.

Exchange. The French Government could also scupper both bids. City sources in the UK said Seagram was expected to seek to top GrandMet's offer for Martell should the French authorities decide against its original deal with Martell.

Martell to be natural partners. In the event of Seagram acquiring Martell, we would of course expect them to comply with our long-term agreement.

Williams buys shares in RHP and Burgess

BY DAVID WALLER

SHARES in RHP and Burgess Group - electrical engineering companies which agreed to merge earlier this week - rose yesterday after it was disclosed that Williams Holdings, the acquisitive mind-conglomerate, was a shareholder in both companies.

CU new life business advances 28% to £428m

NEW LIFE assurance and pensions premiums went up 28 per cent to £427.8m in 1987 at Commercial Union Assurance, the composite insurer. The figures included an 88 per cent jump to £173.3m in new single premiums in the UK.

Worldwide, CU's new annual premiums grew from \$65.6m to \$90.7m. New single premiums were up 35 per cent at \$337.1m, but after excluding currency movements the increase was 41 per cent.

One significant feature was a boom in CU's life sales in France. Its annual premiums there were up 12 per cent at £11.6m, but new single premiums were £56.2m, which CU said represented a 46 per cent jump after excluding the effect of changes in exchange rates.

Sears stake in Freemans up to 21.6%

By Nick Tate

Sears, the retail, betting and footwear, yesterday added substantially to its holding in Freemans, the mail order group for which it is making a \$477m hostile bid.

In late-afternoon, the predator announced that it had picked up another 8.1m shares in Freemans, or 5.67 per cent. That took the Sears stake to 21.6 per cent. At the first closing date, the bidder had accepted 1.2 per cent of its target's shares in respect of its earlier offer.

Granada buys Mainstay

BY NICK TATE

FRESH FROM its \$250m takeover of Electronic Rentals, TV and leisure group Granada returned to the acquisition trail with the agreed purchase of unlisted computer maintenance business, Mainstay.

and Granada says it expects most of the company's existing management to remain with the business. Mainstay has seen sales increase from £298,000 in 1983 to £7.07m in the year to end-September 1987. Pre-tax profits over a similar period have risen from £12,000 to \$537,000. Net assets at end-September were \$549,000.

DIVIDENDS ANNOUNCED

Table with columns: Company Name, Current payment, Date, Corres. payment, Total of last year, Total of this year. Includes Black (Peter) and Thorpe & Co.

FT-ACTUARIES SHARE INDICES

QUARTERLY VALUATION. The market capitalisation of the groups and sub-sections of the FT-Actuaries indices as at December 31, 1987 are expressed below in millions of pounds and as a percentage of the All-Share Index. Similar figures are also provided for the two preceding quarters.

Table with columns: EQUITY GROUPS & SUB-SECTIONS, Market capitalisation (Dec. 31, 1987), % of All-Share Index, Market capitalisation (Sep. 30, 1987), % of All-Share Index, Market capitalisation (Jun. 30, 1987), % of All-Share Index. Lists various financial and industrial groups.

AJS raises Drayton Japan stake

By Nick Tate

AJS Partners, the New Jersey-based investment partnership which is pressing for discount-eliminating moves at MIM-management trust, Drayton Japan, yesterday announced a small increase in its stake.

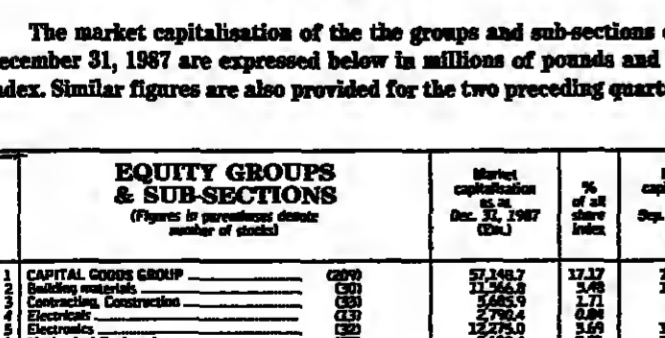
Globe heading for Tokyo listing

BY ANDREW HILL

Globe Investment Trust, the largest investment trust in the world, is heading for a listing of ordinary shares on the Tokyo Stock Exchange at the beginning of next month.

demand for Globe shares will reduce their discount. Globe had hoped for a listing in December, but it has proved difficult to arrange the process of approval. The February launch will be accompanied by a publicity roadshow in Japan.

Barham Group



HOLDERS OF the last 10 per cent of shares in a takeover target are not to be able to demand the reinstatement of cash terms if that part of the offer was not directly made by the bidding company itself.

This possible loophole in the provisions of Section 430A of the 1985 Companies Act emerged yesterday when it became clear that International Business Communications (Holdings), specialist publishing and conference group, did not intend to re-open the cash portion of its successful \$98m offer for Barham Group, publishing, advertising and media company.

No cash for Barham minority

BY CLAY HARRIS

Mr John Gordon, head of corporate finance at Capel-Cure, specialist publishing and conference group, said yesterday that IBC was acting on legal advice that this rule applies only to the bidding company, and not to advisers any one else making an offer on its behalf.

Mr Michael Bell, IBC chief executive, said the ambiguity was likely to find demand that the Companies Act be clarified. It was doubtful that the drafters of the law had intended to force a company to re-open a cash alternative which it had closed after giving proper notice.

LONDON RECENT ISSUES

Table of EQUITIES with columns: Issue, Price, Change, etc. Lists various equity issues and their market performance.

FIXED INTEREST STOCKS

Table of FIXED INTEREST STOCKS with columns: Issue, Price, Change, etc. Lists fixed interest securities.

RIGHTS OFFERS

Table of RIGHTS OFFERS with columns: Issue, Price, Change, etc. Lists rights offers and their details.

GRANVILLE SPONSORED SECURITIES

Table of GRANVILLE SPONSORED SECURITIES with columns: High, Low, Company, Price, Change, etc. Lists sponsored securities and their performance.

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table of National and Regional Markets for Thursday January 7 1988 and Wednesday January 6 1988. Columns include US Dollar Index, Day's Change, and various regional indices like Australia, Canada, France, etc.

Notes: Dec 31, 1986 = 100; Finland Dec 31, 1987 = 115.00 (US \$ Index); 100.00 (Pound Sterling) and 94.94 (Local).

TRADING VOLUME IN MAJOR STOCKS

Table showing trading volume in major stocks for various countries including Australia, Canada, France, Germany, Hong Kong, Ireland, Italy, Japan, etc.

ECONOMIC DIARY

MONDAY: Retail sales (November-final). Credit business (November). Producer price index (December-provisional). Quarterly analysis of bank advances (November). Parliamentary returns from Christmas recess. Swedish budget. Airbus Industries statement.

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table of Equity Groups & Sub-sections for Friday January 8 1988. Columns include Index No., Day's Change, and various equity indices like Capital Goods, Building Materials, Electronics, etc.

FT-SE 100 SHARE INDEX 4 1773.41 -13.8 1798.7 1773.3 1787.2 1787.1 1799.6 1787.5 1712.7 1792.3 2483.4 1677 887 1565.2 9 1187.7 2483.4 1677 887 1565.2 9 1187.7

FIXED INTEREST

Table of Fixed Interest rates for various maturities and currencies. Columns include Price Indices, Day's Change, and interest rates for different terms.

Large advertisement for Factmaster binders. Features the headline 'Time is your most precious resource. Factmaster helps you make the most of it.' and includes sections for 'Do you...', 'What is Factmaster?', 'The unique Factmaster Time Management System', and 'Personalised with your initials'. It also features an image of a Factmaster binder and a coupon for more information.

INTERNATIONAL COMPANIES & FINANCE

MOVE TOWARDS MODERNISATION

Two Turkish state banks to merge

By David Barchard in Ankara

TWO OF Turkey's largest state banks, Emlak Kredi Bankasi and Anadolu Bankasi, have been merged as part of a shake-up in Turkey's state-owned banking sector.

BNL to undergo reshaping

By David Lane in Milan

BANCA NAZIONALE del Lavoro, Italy's largest bank, is to undergo a big reorganisation under which its twenty three departments and sections will disappear, making way for a slimmer structure consisting of five line areas and five staff functions.

Under the reorganisation, approved by the BNL board this week, the line areas will be credit management, commercial and marketing, financial management - covering life and foreign exchange reserves and market operations - administration, and services.

On the staff side, reporting directly to the general manager, the functions will be those of general secretariat, studies and public relations, planning and control, investments and supervision and security.

At the same time as the state-owned bank is overhauled at home, there will also be a parallel restructuring of its New York branch into three line areas.

In addition the BNL, a Rome-based institution, will establish a representative office in Milan. A spokesman said that this move reflects the bank's concern to give greater attention to its operations in Italy's principal financial market.

The changes will take the BNL's organisation closer to those of its foreign competitors. The bank's spokesman said the reorganisation aims to rationalise the utilisation of resources. Greater efficiency is being sought in order to prepare for the opening of European financial markets in 1992. The BNL's spokesman said that the changes will be introduced over a very short period.

The merger will be taken as a signal that Mr Semler has been unable to revive the Anadolu Bankasi in the manner originally envisaged.

Emlak Kredi Bankasi, one of the most bureaucratic of Turkey's state banks, is in a much stronger position largely because of its dominant position in the national property markets.

Mr Semler, 32, head of the Anadolu Bankasi since August 1985, will be general manager of the new bank.

Anadolu Bankasi reported losses of TL3.5bn (\$497m) in 1986, compared with a profit of TL3.0bn (\$414m) for Emlak Kredi. Anadolu Bankasi's situation is believed to have deteriorated further during 1987, despite a much publicised campaign by Mr Semler to force payment on outstanding loans.

GM plans to cut 1,900 jobs

By Our Financial Staff

GENERAL MOTORS, the largest US vehicle maker, plans to eliminate 1,900 jobs at its Van Nuys, California, assembly plant from February by ending the night shift, due to slow sales of the Pontiac Firebird and Chevrolet Camaro sports coupes built there.

However, GM said the plant's workforce of about 4,000 will share the work on the remaining day shift so that no employees will be subject to permanent lay-off, pending realisation of the "shared employment" scheme by the United Automobile Workers local branch.

Banesto shows profit recovery

By David White in Madrid

BANCO ESPANOL de Credito (Banesto), which was the target late last year of an unsuccessful bid by the smaller Banco de Bilbao, has shown a recovery in its pre-tax profit for last year to about Pta30bn (\$396m). This followed a 29 per cent drop in 1986, when the group ploughed all its earnings into resolving internal problems.

The bank proposed to shareholders a gross dividend of Pta150 per Pta500 share, a 19 per cent increase.

Global custodian side at Mitsubishi

MITSUBISHI BANK is to start a global custodian business this month for securities investors, in cooperation with banks in 21 countries, Reuters reports from Tokyo.

The bank is the first to introduce the business in Japan, and aims to meet growing demand for diversified investments in international markets.

Ericsson to sell US cable offshoots

By Sara Webb in Stockholm

ERICSSON, the Swedish telecommunications and electronics group, has signed a letter of intent to sell the bulk of its Idemco cable making operation in the US to Alcatel of France and BICC of the UK.

The size of the deal was not disclosed but the subsidiaries in question have an annual turnover of about \$110m - compared with a turnover of about \$400m for Ericsson's cable operations worldwide.

Mr Brian Knox, analyst for Scandinavian equities at Kleinwort Greaveson, said the deal would rid Ericsson of "a running sore". The deal will not affect Ericsson's international cable operations, which are profitable.

Alcatel plans to acquire Ericsson's copper and fibre optic cable activities, which have a turnover of about \$70-80m and based in Kansas City, Missouri, and in Tarboro, North Carolina, while BICC will acquire the specialty power cable unit in York, Pennsylvania, with an annual turnover of about \$30m.

Ericsson will be left with the US electronic cable operations. Ericsson's US cable operations have proved unprofitable for several years and the company stated last autumn that they had been hit by the sharp drop in demand for cable in the US market at the beginning of 1986.

The executive in charge of the US cable operations resigned and a restructuring effort was started with a view to selling off the operations.

At the beginning of 1986, the cable operations were considered an important way into the US market, providing contacts with potential customers in the electric utility field.

Ericsson was a joint venture with Atlantic Richfield which later became a wholly owned Ericsson subsidiary.

Today, Ericsson says the division is no longer strategically important in the US.

Painewebber unit in deal

By Laura Rajn in Amsterdam

OCE-VAN der Grinten, the Dutch photocopier maker, confirmed yesterday that its 1987 earnings dropped 11 per cent to F1.75m (\$2.6m) because of the disposal of OCE-Anders, a specialty chemicals subsidiary.

Profits may remain under pressure this year for the same reasons. Measures announced in November to improve efficiency will yield results mostly after 1988, although the world economy and dollar exchange rate are critical factors, the company said.

CBOE to shed 90 staff following market crash

By Deborah Hargreaves in Chicago

THE CHICAGO Board of Options Exchange (CBOE) is to cut 90 staff in a broad cost-cutting effort prompted by October's stock market crash.

The exchange said its staff of 1,500 had already been reduced by 60 through attrition since Black Monday. The new job cuts will be mainly on the trading floor, where the CBOE has seen a 100 per cent increase in Standard & Poor's 100 index option decline by 60 per cent since the crash.

The S&P 100 is the world's busiest futures or options contract and traded more than 10m lots in October. But since then, volume in the contract, which represents 60 per cent of overall CBOE volume, has been down as the market has remained highly volatile.

The CBOE says its job cuts and other cost-cutting measures have reduced the exchange's expenses by \$15m from a budget of \$85m for this year. The exchange said it can now operate at break-even on 450,000 contracts a day.

The cost-cutting effort is the first by a major futures or options exchange since the crash. Traders at the CBOE made huge losses during the crash on highly speculative options trades.

However, the CBOE stresses it is financially sound and that cost-cutting will not affect its automation project.

Nestle buys Chambourcy stake

By John Wickes in Zurich

THE SWISS Nestle group has bought Unilever's 25 per cent stake in the French dairy products company Chambourcy-La Roche aux Fees. This brings Nestle's shareholding in the Paris-based company to 97.2 per cent.

Nestle is to make a public bid via the Paris stock market for the remaining 2.8 per cent of the Chambourcy capital. Conditions are expected to be announced very soon.

Chambourcy products play an important part in Nestle's range of filled products. This division booked total 1986 sales of over SF27.7bn (\$2,040m).

A Nestle spokesman said in Vevey yesterday that this transaction was a "logical follow-up" to a move undertaken in 1985 in which Nestle and Unilever merged their French and Belgian yoghurt, desserts and fresh cheese businesses.

This had led to the Swiss group acquiring a majority holding in a new organisation including Chambourcy, former Unilever subsidiary La Roche aux Fees and other companies, as well as taking over management responsibility. At the time, the companies concerned had joint sales of FF2.4bn (\$428.5m) plus BF2.65bn (\$77.7m).

The Swiss machine tool company, which has acquired the North Carolina-based Elox division of the Colt Industries Group.

Elox is a major US manufacturer of electrical-discharge machine tools, in which Agie is a world leader. Its 1987 annual turnover has ranged between \$15m and \$30m, which compares with overall Agie sales of about SF300m a year.

The acquisition will consolidate the two companies' market leadership in the US. Elox is to continue to work as a separate entity, using Agie technology to expand its die-casting and wire machine business. The transaction is seen as reducing US dependence on imports from Japan.

ICN Pharmaceuticals lifts Swiss holding

By Our Financial Staff

ICN PHARMACEUTICALS, the tiny California drugs company, has raised about \$50m of new capital in the past three years, but increased its holding in the voting stock of F. Hoffmann-La Roche, the Swiss drug group, from 6.3 per cent to 7.3 per cent.

Costa Mesa, California company, which is pushing for regulatory approval for a drug to treat a form of AIDS, spent about \$20m buying its 6.3 per cent stake in Roche's class of voting shares in the summer.

ICN has said it wants to buy a big drug company to promote its drug Ribavirin, which it says is effective against a pre-AIDS condition. But Wall Street says ICN is using its cash hoard just to speculate in Roche, whose US operations alone are 10 times larger than ICN.

This week, Roche launched a \$4.2bn takeover bid for Sterling Drug, the diversified US pharmaceuticals group.

OCE earnings fall as guilder and costs rise

By Laura Rajn in Amsterdam

OCE-VAN der Grinten, the Dutch photocopier maker, confirmed yesterday that its 1987 earnings dropped 11 per cent to F1.75m (\$2.6m) because of the disposal of OCE-Anders, a specialty chemicals subsidiary.

Profits may remain under pressure this year for the same reasons. Measures announced in November to improve efficiency will yield results mostly after 1988, although the world economy and dollar exchange rate are critical factors, the company said.

Turnover slipped 3 per cent to F1.83bn from F1.89bn due to currency factors and the disposal of OCE-Anders, a specialty chemicals subsidiary.

Yesterday's preliminary 1987 figures are in line with OCE's forecast in October. Detailed figures will be released around February 10.

OCE sells copying machines for business and design engineering offices as well as office automation equipment. It is vulnerable to the volatility of the dollar.

Computervision rejects Prime Computer offer

By Our Financial Staff

COMPUTERVISION, the Massachusetts-based computer-aided design/computer aided manufacturing (CAD/CAM) concern, said its board unanimously rejected an inadequate Prime Computer's \$135.50 per share tender offer for all Computervision shares, valuing the company at \$300m.

In language characteristic of US takeover defences, Computervision said it had instructed management to work with advisers to explore a variety of alternatives, but that the alternatives may involve a merger with another company or the purchase of a "substantial business" by Computervision.

Computervision said that Goldman Sachs, its financial adviser, said it found the \$13.50 per share price to be inadequate. The company's shares closed unchanged at \$14.40 on Thursday.

Computervision said it would oppose any solicitation by Prime to replace Computervision directors.

The target company said its board had authorised the adoption of by-law amendments to insure that shareholders would have an adequate opportunity to receive and consider any consent solicitation and that any consent solicitation is made in accordance with Delaware law and New York Stock Exchange procedures.

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE PRICES eased back further on the London futures market yesterday after delegates at the International Coffee Organisation meeting in London declared consideration of producer demands for an extra cut in export quotas in an attempt to prop up values. The organisation's stock authorised a cut of 1m bags (60 kgs each) to 55.5m bags - the second during the current coffee year, but some analysts claim that the market situation is depressed enough to justify a third cut immediately. Consumer caution seems to have prevailed, however, and no decision is to be taken until the organisation's executive board meets on January 29. By that time one further cut may have been triggered, unless the market recovers strongly, and the consumers argue that the impact of these cuts should be weighed up before further action is considered. March delivery coffee futures closed yesterday at £1,126 a tonne, down £10 on the day.

SPOT MARKETS

Table with columns for Commodity, Price, and Change. Includes items like Crude oil, Brent Blend, WTI, Premium Gasoline, Gas Oil, Heavy Fuel Oil, Naphtha, Petroleum Argus Estimates, Other, Gold, Silver, Platinum, Palladium, Aluminium, Copper, Lead, Tin, Zinc, Cattle, Sheep, Pigs, London daily sugar, London daily sugar (white), Tates and Lyle export price, Barley, Maize, Wheat, Rubber, Coconut, Copra, Soyabean, Cotton, Wooltops.

COCOA £/tonne

Table with columns for Month, Price, and High/Low. Includes Mar, May, Jul, Sep, Nov, Dec.

COFFEE \$/tonne

Table with columns for Month, Price, and High/Low. Includes Jan, Mar, May, Jul, Sep, Nov, Dec.

SUGAR \$/tonne

Table with columns for Month, Price, and High/Low. Includes Mar, May, Jul, Sep, Nov, Dec.

White

Table with columns for Month, Price, and High/Low. Includes Mar, May, Jul, Sep, Nov, Dec.

GAS OIL \$/tonne

Table with columns for Month, Price, and High/Low. Includes Jan, Mar, May, Jul, Sep, Nov, Dec.

GRAINS \$/tonne

Table with columns for Month, Price, and High/Low. Includes Jan, Mar, May, Jul, Sep, Nov, Dec.

LONDON METAL EXCHANGE

Table with columns for Commodity, Price, and High/Low. Includes Aluminium, Cash, Aluminium, Cash, Copper, Cash, Copper, Cash, Lead, Cash, Lead, Cash, Nickel, Cash, Nickel, Cash, Zinc, Cash, Zinc.

POTATOES £/tonne

Table with columns for Month, Price, and High/Low. Includes Mar, May, Jul, Sep, Nov, Dec.

SOYABEAN MEAL £/tonne

Table with columns for Month, Price, and High/Low. Includes Mar, May, Jul, Sep, Nov, Dec.

PREMIX FUTURE \$/index point

Table with columns for Month, Price, and High/Low. Includes Jan, Mar, May, Jul, Sep, Nov, Dec.

SPICES

Spices were weaker with BSWs trading at \$4700.00, versus New Production Sugar and clove were unchanged. Cassia exporters reported higher local prices in Padang and Sumatra. Pepper was firmer as spot supplies in Rotterdam were practically increasing prices. The pepper market continued quiet with a somewhat softer undertone. Quotations for white spot Sugar 3000, Jan/Feb shipment \$550.00; Sarawak black Jan/Feb shipment \$440.00; High Java \$450.00.

LONDON BULLION MARKET

Table with columns for Commodity, Price, and High/Low. Includes Gold, Silver, Platinum, Palladium.

COIN \$/price

Table with columns for Month, Price, and High/Low. Includes Jan, Mar, May, Jul, Sep, Nov, Dec.

NEW YORK

Table with columns for Commodity, Price, and High/Low. Includes Gold, Silver, Platinum, Palladium.

LONDON METAL EXCHANGE TRADED OPTIONS

Table with columns for Commodity, Price, and High/Low. Includes Aluminium, Copper, Zinc.

US MARKETS

The precious metals again followed silver, which opened lower on local selling, but good trade buying emerged touching off light spots and prompting commission house buying, reports Drexel Burnham Lambert. Copper rallied on local short-covering and general profit-taking as reports of good Monday's stocks figures. Crude oil eased as trade selling touched off stops in the face of light commission house buying. Heating oil also eased on profit-taking. Sugar saw fundamentals pressure themselves as reports of good Chinese officials prompted trade and commission house buying. Coffee eased on long liquidation following the announcement that the special ICO meeting had been postponed. Cocoa rallied on speculative buying despite Brazilian selling. Pork bellies and hogs rallied sharply as both markets continued to reflect the recent crop report and ongoing logistical problems resulting from the cold weather. Cattle eased on profit-taking. Soybeans led the grains as indications of further declines in cash prices and bear-spreads in advance of first rice due on Monday eased futures and this saw both the oil and beans ease.

Chicago

Table with columns for Commodity, Price, and High/Low. Includes Soybeans, Soybean Meal, Soybean Oil, Wheat, Corn, Oats, Rye, Barley, Hogs, Pigs, Cattle, Live Cattle, Live Hogs, Orange Juice, Cotton, Wool.

NEW YORK

Table with columns for Commodity, Price, and High/Low. Includes Gold, Silver, Platinum, Palladium, Copper, Zinc, Lead, Tin, Nickel, Aluminum, Steel, Iron, Coal, Oil, Gas, Sugar, Coffee, Cocoa, Rubber, Cotton, Wool, Lumber, Paper, Textiles, Chemicals, Pharmaceuticals, Electronics, Automobiles, Aircraft, Shipbuilding, Defense, Space, Energy, Environment, Education, Health, Media, Entertainment, Real Estate, Insurance, Banking, Finance, Law, Government, Public Works, Utilities, Telecommunications, Transportation, Shipping, Airline, Hotel, Restaurant, Retail, Wholesale, Manufacturing, Services, Information, Research, Development, Innovation, Entrepreneurship, Venture Capital, Private Equity, Hedge Funds, Mutual Funds, Pension Funds, Endowments, Foundations, Charitable Organizations, Non-Profit Organizations, Social Enterprises, Impact Investing, Sustainable Investing, ESG Investing, Responsible Investing, Ethical Investing, Faith-Based Investing, Socially Responsible Investing, Environmental Investing, Human Rights Investing, Labor Rights Investing, Diversity Investing, Inclusion Investing, Gender Equality Investing, Racial Justice Investing, LGBTQ+ Investing, Disability Rights Investing, Aging Rights Investing, Intergenerational Equity Investing, Intercultural Investing, Multicultural Investing, Global Investing, International Investing, Cross-Border Investing, Emerging Markets Investing, Frontier Markets Investing, Micro-Investing, Crowdfunding, Peer-to-Peer Lending, P2P Investing, Real Estate Crowdfunding, Equity Crowdfunding, Debt Crowdfunding, Reward Crowdfunding, Donation Crowdfunding, Social Crowdfunding, Impact Crowdfunding, Sustainable Crowdfunding, Ethical Crowdfunding, Faith-Based Crowdfunding, Socially Responsible Crowdfunding, Environmental Crowdfunding, Human Rights Crowdfunding, Labor Rights Crowdfunding, Diversity Crowdfunding, Inclusion Crowdfunding, Gender Equality Crowdfunding, Racial Justice Crowdfunding, LGBTQ+ Crowdfunding, Disability Rights Crowdfunding, Aging Rights Crowdfunding, Intergenerational Equity Crowdfunding, Intercultural Crowdfunding, Multicultural Crowdfunding, Global Crowdfunding, International Crowdfunding, Cross-Border Crowdfunding, Emerging Markets Crowdfunding, Frontier Markets Crowdfunding, Micro-Investing Crowdfunding, Crowdfunding, Peer-to-Peer Lending, P2P Investing, Real Estate Crowdfunding, Equity Crowdfunding, Debt Crowdfunding, Reward Crowdfunding, Donation Crowdfunding, Social Crowdfunding, Impact Crowdfunding, Sustainable Crowdfunding, Ethical Crowdfunding, Faith-Based Crowdfunding, Socially Responsible Crowdfunding, Environmental Crowdfunding, Human Rights Crowdfunding, Labor Rights Crowdfunding, Diversity Crowdfunding, Inclusion Crowdfunding, Gender Equality Crowdfunding, Racial Justice Crowdfunding, LGBTQ+ Crowdfunding, Disability Rights Crowdfunding, Aging Rights Crowdfunding, Intergenerational Equity Crowdfunding, Intercultural Crowdfunding, Multicultural Crowdfunding, Global Crowdfunding, International Crowdfunding, Cross-Border Crowdfunding, Emerging Markets Crowdfunding, Frontier Markets Crowdfunding, Micro-Investing Crowdfunding.

CHICAGO

Table with columns for Commodity, Price, and High/Low. Includes Soybeans, Soybean Meal, Soybean Oil, Wheat, Corn, Oats, Rye, Barley, Hogs, Pigs, Cattle, Live Cattle, Live Hogs, Orange Juice, Cotton, Wool.

WORLD STOCK MARKETS

NEW YORK (3 pm)

Table of stock prices for various companies in New York, including columns for company names, prices, and changes.

INDICES

Table of market indices including Dow Jones, NYSE Composite, and various regional indices with their respective values and changes.

Wall Street Stocks fall as profits are taken

WALL STREET stocks continued their sharp decline with blue chips, leaders of recent gains, among the hard-hit issues as profit-taking set in after several days of gains. Selling was light and the retreat orderly.

Canada

Toronto stocks fell into a slump at mid-session, pushed lower by energy stocks also showed some weakness.

North American closing prices were unavailable for this edition.

Australia

Selling in the mining sector and light profit-taking among industrialists led the Australian share market to close easier but off the day's low.

Tokyo

Share prices closed firm but off their highs in active trade as bullish sentiment collided with profit-taking, with the market apparently unable to break the 25,000-point barrier.

Hong Kong

Profit-taking brought shares down from their early peak although they still closed slightly higher in active trading.

Frankfurt

Another rise in the dollar boosted share prices, but this was watered down by negative news about industrial orders.

Madrid

Shares on the Madrid bourse closed higher, as optimism over a firmer dollar countered profit-taking by cautious traders.

Singapore

Share prices fell moderately across the board for the first time this year after five days of sharp gains.

Singapore

Trading was fairly active, with prices rising initially on spill-over buying interest, but this later gave way to profit-taking.

Singapore

The fall had been expected as the market had risen sharply recently. Blue chips and quality stocks bore the brunt of selling.

Singapore

The general share index closed 3.84 points higher at 243.06.

Small text at the bottom left providing additional market data and disclaimers.

Large table of international stock market data, including sections for Australia, Tokyo, Hong Kong, Frankfurt, Madrid, Singapore, and various regional indices.

Small text at the bottom right providing additional market data and disclaimers.

CURRENCIES & MONEY

LONDON STOCK EXCHANGE

Gilt-edged and equities close lower

FOREIGN EXCHANGES

Dollar firm but nervous

THE DOLLAR rose from overnight levels but there was no clear trading pattern in the currency market yesterday. The dollar cleared its day as a picker up the pieces, after heavy central bank intervention earlier in the week.

The dollar's improvement was based on two factors. Firstly, there was a reluctance to run short dollar positions, in view of central banks' determination to avoid a further decline. Secondly, there was a growing feeling that the extent of the dollar's fall over the last three years was sufficient for the time being.

Consequently the US unit was confined to a comparatively tight band. Dealers saw a level of DM1.6650 and Y130.0 as being the top end of the dollar's range, the downside being governed by the threat of intervention.

Trading in the afternoon was quieter than usual, even for a £ in new activity in New York.

York was severely hampered by heavy snow falls. This meant that many banks were working with a skeleton staff.

US unemployment figures were better than expected. The rate in December fell to 5.9 p.c. from 5.9 p.c. in November.

The dollar closed at DM1.6505 from DM1.6385 and Y129.05 compared with Y128.50. Elsewhere it finished at FF5.5725 from FF5.54 and SF1.3485 compared with SF1.3375.

On the Bank of England figures, the dollar's exchange rate index rose from 83.7 to 84.1.

Sterling finished unchanged on the day, its exchange rate index closed at 75.3 compared with 75.2 at the opening and 75.3 on Thursday.

from SF2.4280 and FF10.07 compared with FF10.06.

D-MARK-TRADING RANGE IN 1987/88 against the dollar in 1987/88 is 1.5905 to 1.6740. December average 1.6354. Exchange rate index 150.9 against 144.8 six months ago.

The dollar closed at DM1.6515 in Frankfurt, up from DM1.6415 on Thursday. This was down from the day's high of DM1.6625.

Earlier in the day it had been edged at DM1.6540 from DM1.6408 and there was no intervention by the Bundesbank.

JAPANESE YEN-TRADING RANGE AGAINST THE DOLLAR IN 1987/88 is 169.45 to 121.35. December average 128.45. Exchange rate index 236.4 against 213.8 six months ago.

The nervous and choppy nature of trading in Tokyo reflected the suspicions of many traders who were still unconvinced about the dollar's ability to improve.

Account Dealing Dates: Options: Dec 31, Jan 7, Jan 15, Jan 21, Jan 22, Feb 1, Jan 25, Feb 4, Feb 11, Feb 18.

THE UK SECURITIES markets ended the week in hesitant form yesterday, with equities unhappy over Wall Street's weakness and bonds not helped by warnings on interest rates from the Governor of the Bank of England.

The London markets began to show uncertainty at mid-morning when the news tapes carried reports from the Washington press, suggesting that the US budget deficit for next year might be larger than estimated.

UK equities, which had been moving higher, turned downwards, and extended their losses in late afternoon when the new trading account opened.

Government bonds, already on the downturn, also weakened further towards the close, but traders stressed that the market was depressed by domestic factors.

FINANCIAL TIMES STOCK INDICES table with columns for Jan 8, Jan 7, Jan 6, Jan 5, Jan 4, Year Ago, 1987/88, and 1987/88. Includes Government Sec, Ord Index, Gold Mines, etc.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-0898 123001

473p on one stage, close 141.07 on balance at 471.9p. Filington, a good market earlier in the account on the theory that BTR may return with a fresh offer for the company, ran back 7 to 233p in a volume of some 4.8m shares.

However, British Aerospace remained a lively market (3.5m) in the wake of the previous day's GEC stock building rumours and closed 8 to the good at 355p.

Peasebrook, in which Robert Murdoch is known to have a 9.5 per cent stake, rose to around 735p before closing 9 higher on the day at 723p.

CURRENCY RATES

Currency rates table with columns for Jan 8, Bank rate, Special Drawing Rights, and various currencies like Sterling, US Dollar, etc.

CURRENCY MOVEMENTS

Currency movements table with columns for Jan 8, Bank of England, and various currencies like Sterling, US Dollar, etc.

OTHER CURRENCIES

Other currencies table with columns for Jan 8 and various countries like Argentina, Australia, Brazil, etc.

POUND SPOT - FORWARD AGAINST THE POUND

Pound spot-forward table with columns for Jan 8, Day's spread, Close, One month, Three months, Six months, One year.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Dollar spot-forward table with columns for Jan 8, Day's spread, Close, One month, Three months, Six months, One year.

EURO-CURRENCY INTEREST RATES

Euro-currency interest rates table with columns for Jan 8, Short term, 7 days, One month, Three months, Six months, One year.

EXCHANGE CROSS RATES

Exchange cross rates table with columns for Jan 8, £, S, DM, Yen, FF, Sfr, Hfl, Lira, C\$, B\$, etc.

FT LONDON INTERBANK FIXING

FT London interbank fixing table with columns for 11.00 a.m. Jan 8, 3 months US dollars, 6 months US dollars, etc.

MONEY RATES

Money rates table with columns for New York, Jan 8, Treasury Bills and Bonds, etc.

LONDON MONEY RATES

London money rates table with columns for Jan 8, Overnight, 7 days, One month, Three months, Six months, One year.

LONDON TRADED OPTIONS

Large table of London traded options with columns for Calls and Puts, various stock indices, and dates.

strongly to close 7 higher at 222p.

RHP, however, also reflected disclosure, more widely appreciated yesterday, that Williams Holdings, the fast-growing conglomerate, holds a stake of some 14 per cent in RHP.

Standard Chartered came under pressure and ended the day 15 off at 515p. Merchant banks suffered from publicity given to a leading brokers downgrading and Morgan Grenfell lost 12 to 240p.

Insurances were mixed. Life attracted further good support and Abbey rose 6 to 252p while Legals put on 5 to 275p, the latter after good support from the new-found enthusiasm and shares swept 17 higher to 582p with turnover expanding to 1.5m shares.

Following last year's buoyant housing starts analysts are expecting a good trading performance from the Bovis subsidiary, which yesterday announced a \$10m acquisition. At least one securities house has seen it as its forecast for P & D group profits, and more could follow.

Further benefits should accrue from major developments such as the Chelsea Harbour scheme, which came onstream during the latter half of 1987, and the adjoining Virginia Wade leisure centre.

RHP, which received an exceptionally favourable response to its recommended offer for Burgess Group, remained in the limelight and moved ahead 18 to 130p.

KCI, having benefited from a broker's recommendation, and currency influences early on, closed back from the day's peak of 111.8 at Wall Street, came in lower to close unchanged at 111.4.

Yorkshire Chemicals found support at 263p, up 5 and Coalite firm 8 to 318p. Lateral closed 25 off at 177p.

The heaviest turnover in the stores sector was in Freemans where brokers acting on behalf of Sears were thought to have picked up just over 9m shares to add to their substantial stake in the company. Freemans shares settled unchanged at 415p.

The leading retailers were mixed after a week that saw many of the top line brokers reducing their price forecasts after a period of lower than expected sales in the high streets. But a handful of the leaders attracted institutional demand after broker Wood Mackenzie triggered buying interest in the new upstart 'growth stocks' which included Barton, 5 up at 224p.

Electricals provided a handful of outstanding performers with especially in demand and finally 8 higher at 131p. The market suggested that UBS Philips had a recent poor performance triggered their profits forecast for Amstrad. Bache were boosted by talk that BZW had issued a 'buy' recommendation and the shares edged up 5 to 200p. BSE rallied after a recent poor performance and closed 8 firmer at 84p.

GEN, up 7 at 307p, after 81p, continued to benefit from a broker's circular suggesting a bright outlook for the motor industry. Among secondary Engineering issues, Camford, still reflecting expansion prospects, moved up strongly to close 21 higher at 172p. ICI Group were also noteworthy for a rise of 7 to 325p, but Howden ended a few pence lower at 80p in the wake of talk that the company may announce a rights issue with the interim results which are due to be announced next Thursday.

Ladbroke continued to express relief that the Office of Fair Trading had decided not to refer off-course betting practices to the Monopolies Commission and the shares ended the session 7 higher at 350p, after 354p. Long-established forger absent on bid speculation to close 18 higher at 280p. Ellermans Finance recently increased its holding to 12.1 per cent.

The major internationalists opened on a quietly firm note, but drifted back in the wake of rally in starting against the dollar and initial weakness on Wall Street. Glaxo settled 13p lower at 983p while Bechams, up to

strongly to close 7 higher at 222p. RHP, however, also reflected disclosure, more widely appreciated yesterday, that Williams Holdings, the fast-growing conglomerate, holds a stake of some 14 per cent in RHP.

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MONEY MARKETS

UK rates slightly firmer

INTEREST RATES were higher in London yesterday as the market reacted to comments made by Mr Robin Leigh-Pemberton, Governor of the Bank of England. These suggested that a more cautious approach may be necessary in order to offset strong economic growth in the UK economy.

The market read between the lines and concluded that interest rates were now set for a further rise. The only doubt remained the timing. Much will depend on the performance of sterling. There are no UK statistics likely to affect sentiment until the release of bank lending figures on January 21.

Three-month interbank money was quoted at 9 1/8 p.c. up from 9 1/4 p.c. and the one year rate was higher at 9 3/4 p.c. compared with 9 1/4 p.c. week-end interbank money traded between 9 1/4 p.c. and 7 p.c.

The Bank of England forecast a shortage of around £750m with factors affecting the market, including the repayment of late assistance and bills maturing in official hands, together with a take up of Treasury bills totalling £417m and Exchequer transactions a further £175m. In addition there was a rise in the note circulation of £335m. These were partly offset by banks' balances brought forward £40m above target.

The forecast was revised to a shortage of around £1,100m and the Bank gave assistance in the morning of £925m through outright purchases of £25m of eligible bank bills in band 2 and bank bills in band 3, £25m of Treasury bills, £10m of local authority bills and £28m of eligible bank bills in band 4. It bought £58m of Treasury bills, £69m of local authority bills and £404m of eligible bank bills, all at 9 1/4 p.c.

MONEY MARKETS

UK rates slightly firmer

Additional help in the afternoon came to £92m and comprised outright purchases of £15m of eligible bank bills in band 2, £76m in band 3 and £1m in band 4, all at 9 1/4 p.c. Total help came to £107m. The minimum accepted bid was 597.015 from £97.045 and bids at that level were met at the average rate of discount at the

weekly Treasury bill tender. This rose to 8.577 p.c. from 8.500p. The \$100m of bills on offer attracted bids of around \$412m compared with \$569m for a previous amount the previous week. The minimum accepted bid was 597.015 from £97.045 and bids at that level were met at the average rate of discount at the

FT LONDON INTERBANK FIXING (11.00 a.m. Jan 8) 3 months US dollars, 6 months US dollars, etc.

MONEY RATES New York, Jan 8, Treasury Bills and Bonds, etc.

LONDON MONEY RATES Jan 8, Overnight, 7 days, One month, Three months, Six months, One year.

Interbank Offer, 9.50, 9.50, 9.50, 9.50, 9.50, 9.50. Interbank Bid, 9.50, 9.50, 9.50, 9.50, 9.50, 9.50.

LEADERS AND LAGGARDS

Percentage changes since December 31 1987 based on Thursday January 7 1988

Table with 2 columns: Sector and Percentage change. Includes Chemicals, Metals & Metal Forming, Mechanical Engineering, etc.

RISES AND FALLS

Table with 2 columns: Category and Rises/Falls. Includes British Funds, Corporations, Industrials, etc.

BANK RETURN

Table with 3 columns: Category, Week ending, Increase/Decrease. Includes LIABILITIES, ASSETS, ISSUE DEPARTMENT.

BASE LENDING RATES

Table with 3 columns: Bank, Rate, and other details. Lists various banks like ABN Bank, Adair & Company, etc.

EUROPEAN OPTIONS EXCHANGE

Table with multiple columns: Series, Vol, Last, etc. for various European options.

AUTHORISED UNIT TRUSTS

Large table listing various unit trusts with columns for Name, Manager, and other details.

Advertisement for BLESMA (British Limbless Association) featuring an image of a person and text: 'WE THE LIMBLESS LOOK TO YOU FOR HELP'.

FT UNIT TRUST INFORMATION SERVICE

Main table containing unit trust information, organized into columns for various fund categories and providers. Includes sections for 'MANAGEMENT SERVICES' and 'OFFSHORE AND OVERSEAS'.

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Investment Objective, and other details.

Table of LONDON SHARE SERVICE, including sections for BRITISH FUNDS, FOREIGN BONDS & RAILS, AMERICANS, INT. BANK AND O'SEAS GOVT STERLING ISSUES, CORPORATION LOANS, COMMONWEALTH & AFRICAN LOANS, and LOANS.

Table of Money Market Trust Funds, listing various trust funds with columns for Name, Investment Objective, and other details.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for stock name, price, and change.

CANADIANS

Table listing Canadian stocks with columns for stock name, price, and change.

BANKS, HP & LEASING

Table listing bank, HP, and leasing stocks with columns for stock name, price, and change.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit stocks with columns for stock name, price, and change.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road stocks with columns for stock name, price, and change.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road stocks with columns for stock name, price, and change.

CHEMICALS, PLASTICS

Table listing chemical and plastic stocks with columns for stock name, price, and change.

DRAPERY AND STORES

Table listing drapery and store stocks with columns for stock name, price, and change.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road stocks with columns for stock name, price, and change.

DRAPERY AND STORES - Contd

Table listing drapery and store stocks with columns for stock name, price, and change.

ELECTRICALS

Table listing electrical stocks with columns for stock name, price, and change.

DRAPERY AND STORES

Table listing drapery and store stocks with columns for stock name, price, and change.

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Table listing drapery and store stocks with columns for stock name, price, and change.

ENGINEERING - Contd

Table listing engineering stocks with columns for stock name, price, and change.

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ENGINEERING

Table listing engineering stocks with columns for stock name, price, and change.

INDUSTRIALS (Miscel.) - Contd

Table listing industrial stocks with columns for stock name, price, and change.

INDUSTRIALS (Miscel.) - Contd

Table listing industrial stocks with columns for stock name, price, and change.

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INDUSTRIALS (Miscel.) - Contd

Table listing industrial stocks with columns for stock name, price, and change.

FOOD, GROCERIES, ETC

Table listing food and grocery stocks with columns for stock name, price, and change.

HOTELS AND CATERERS

Table listing hotel and catering stocks with columns for stock name, price, and change.

INDUSTRIALS (Miscel.)

Table listing industrial stocks with columns for stock name, price, and change.

INSURANCES

Table listing insurance stocks with columns for stock name, price, and change.

LONDON SHARE SERVICE

INSURANCES - Contd

Table listing insurance companies and their share prices, including Royal Indemnity, Commercial Union Assurance, and others.

LEISURE

Table listing leisure-related companies such as Holiday Inns, Sunningdale, and others.

MOTORS, AIRCRAFT TRADES

Table listing companies in the motor and aircraft trades, including Rover, Bristol Aeroplane, and others.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies like News International, Newsprint, and others.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies such as W & A, W & A, and others.

SHOES AND LEATHER

Table listing shoe and leather companies like J. & S., J. & S., and others.

SOUTH AFRICANS

Table listing South African companies such as Anglo-American, Anglo-Transvaal, and others.

TEXTILES

Table listing textile companies like J. & S., J. & S., and others.

PAPER, PRINTING, ADVERTISING - Contd

Continuation of paper, printing, and advertising companies.

PROPERTY

Table listing property-related companies and their share prices.

SHIPPING

Table listing shipping companies such as P&O, Cunard, and others.

SHOES AND LEATHER

Table listing shoe and leather companies.

SOUTH AFRICANS

Table listing South African companies.

TEXTILES

Table listing textile companies.

TEXTILES - Contd

Continuation of textile companies.

TEXTILES - Contd

Continuation of textile companies.

TOBACCO

Table listing tobacco companies.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies.

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TRUSTS, FINANCE, LAND - Contd

Continuation of trusts, finance, and land companies.

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TRUSTS, FINANCE, LAND - Contd

Continuation of trusts, finance, and land companies.

OIL AND GAS - Contd

Continuation of oil and gas companies.

OIL AND GAS

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OIL AND GAS

Table listing oil and gas companies.

OIL AND GAS - Contd

Continuation of oil and gas companies.

MINES - Contd

Continuation of mines companies.

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Table listing mines companies.

MINES - Contd

Continuation of mines companies.

MINES - Contd

Continuation of mines companies.

PLANTATIONS

Table listing plantation companies.

MINES

Table listing mines companies.

MINES

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MINES

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OVERSEAS TRADERS

Table listing overseas traders.

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REGIONAL & IRISH STOCKS

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TRADITIONAL OPTIONS

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NOTES

Notes section containing various financial notes, company announcements, and market commentary.

SCHOOL FEES



SunLife of Canada Plans for the future Tel: 0256-941414

FINANCIAL TIMES

Saturday January 9 1988

EJP TEAM PUBLIC RELATIONS

WE HAVE AN EAR IN IMPORTANT PLACES 01-583 2001 107-111 FLEET STREET, LONDON EC4A 2AB

Army unhappy at lack of funding

By DAVID BUCHAN, DEFENCE CORRESPONDENT

TOP BRITISH army officers have complained that the service is being denied funds needed to re-equip it with guns and tanks.

However, the MoD publicly admitted yesterday that the army had a particular concern this year, expressed in a strongly-worded statement by General Sir Nigel Bagnall, chief of the general staff, during internal budget discussions this week.

The army's specific concerns centre on what it feels to be a lack of proper provision made in the Long Term Costings (LTCs), the MoD's rolling procurement plans for replacement of its age-

ing Chieftain tanks and 105mm Abbott guns over the next 10 years. It has also felt its priorities increasingly edged out of the \$5.5bn a year procurement budget. The air force and navy, with indisputably more complex equipment needs, now get respectively 35 and 31 per cent of the budget, while the army share has shrunk to 18 per cent.

Since many MoD functions were centralised in 1983, inter-service rivalry has been relatively muted. Ironically, the army's discontent follows the ministry's success last autumn in defeating proposals for a 5 per cent cut in defence spending in 1987-88 in real terms.

The consequent increase of \$600m for the ministry's 1987-90 spending plans seems to have only irritated the army further, because it has so far not seen much of that increase.

Another constraint on the army improving its equipment is that, as the most manpower-intensive service, much of its budget goes on pay. Service pay has increased quite sharply in recent years, but the recommendation of an outside body, the Armed Services Pay Review Board.

The sharp intervention of General Bagnall and other top officers is seen in the MoD as the army "laying down a marker" that this year it wants better treatment in the annual LTC review to be concluded in March.

The army's general financial problems have been compounded by recent policy switches. A year ago the UK, West Germany and Italy abandoned a collaborative

programme for the self-propelled SP-70 gun. The UK, like the other two countries, is now faced with paying more for a purely national replacement to its Abbott guns, one of the older Nato artillery pieces.

Likewise, the UK hoped until a couple of years ago to replace its Chieftains with a tank built in the next century together with West Germany. But slippage of the MBT 2000 project in recent years, and the rapid ageing of the Chieftain designed in the early 1960s, has forced the army to plan an "interim" national replacement of its tanks.

It favours an improved Challenger tank offered by Vickers, but to replace 600 Chieftains could cost nearly \$1bn. **See welcomes US move on Harrier, Page 4**

President trying to play down report on share crash

By Janet Bush in New York and Deborah Hargreaves in Chicago

THE BRADY Commission, the task force set up by the US Administration to study last October's stock market crash, yesterday delivered its report to President Reagan and signs that the White House is trying to play down its importance.

There has been controversy since Wednesday following press speculation. By yesterday, senior securities industry executives on Wall Street and representatives of the futures industry in Chicago were harshly critical of predicted recommendations.

These included the imposition of limits on price movements in securities markets and substantial increases in margin requirements on securities and futures transactions.

Mr Mark Fitzwater, White House spokesman, was at pains on Wednesday to say that the Administration would not immediately endorse the recommendations and that the report would be examined in the coming weeks.

There was also believed to be some concern within the US Federal Reserve about suggestions of an increased regulatory role for the central bank.

The White House decision not to hold a press conference in a blaze of publicity after the crash, was also seen as indicative of concern.

Mr Nicholas Brady, who led the task force, was due to complete his recommendations late yesterday.

Political opinion on radical changes to securities industry regulation is mixed. President Reagan is committed to free markets and it is seen as unlikely that the Administration would pass into law anything as fundamentally interventionist as limits on price movements.

On the other hand, the political community in Washington is keen to hold a firm line on the issue as past excesses on Wall Street and may be disposed towards stricter controls.

The suggestion of limits on price movements was greeted with predictable criticism on Wall Street. Mr Alan Greenberg, the well-known chairman of Bear Stearns, said: "It's stupid to suggest all sorts of crazy things just because of a one-off event."

He would, however, support stricter margin requirements and a centralised system for clearing and settling trades.

However, substantially higher margins are far less palatable to participants in futures markets. Mr Merton Miller, Professor of Finance at the University of Chicago, is head of an independent panel set up by the Chicago Mercantile Exchange to review the role of futures in the crash.

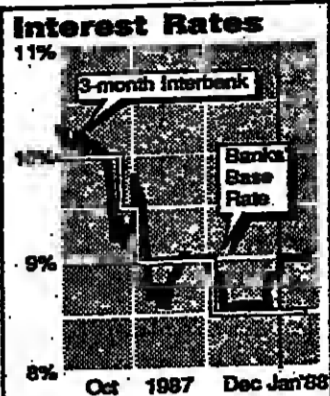
He said yesterday: "In the long run, the kind of increases in margin requirements that people are talking about could finish the American version of futures as we know it."

The futures industry is concerned about what it perceives to be a lack of expertise in this area on the Brady Commission.

THE LEX COLUMN

Carried away with the dollar

FT Index fell 10.0 to 1424.5



Despite the ominous warning from the Bank of England that the next move in UK interest rates might well be up rather than down, the equity market has got off to a surprisingly good start this year. Admittedly, share prices ended yesterday on a note that is not as bright as the FTSE-100 index has still not suffered two down days in a row for more than a month now, and its 3.5 per cent gain on the week is considerably better than its overall performance in 1987. Shares have risen by more than 12 per cent over the last month, and the mood is far more confident than seemed possible only a week ago.

There are a number of reasons for this, and not all of them are reassuring. The sharp bounce in the value of the US dollar in the opening days of 1988, on the back of concerted central bank intervention, has clearly helped sentiment. Its rapid decline in the closing days of last year had given the impression that the US could not care less what happened to its currency and that the other central banks had lost the will to fight the decline.

This week's intervention has proved these fears groundless and temporarily stabilised the dollar. The hope is that the dollar may be in the final phase of its three year decline, and next week's US trade figures for November may mark the start of an improving trend. If these hopes are dashed, the dollar could once again come under fire, and the central banks are beginning to look dangerously short of ammunition to face another showdown with the big guys in the world's foreign exchange markets.

The other worry for the UK market in particular is that the economy is growing dangerously rapidly, notwithstanding the aftermath of the October crash. This might be good news for equities in the short term, but the Bank of England is getting increasingly nervous and what all the fuss was about is now appears that UK equities produced a total return including dividends last year of 9.6 per cent, compared with an annual average of 14.3 per cent compared since 1985. GHSs did better again, with a return last year of 16.5 per cent at the long end, but the equity return was very close to the 9.9 per cent achieved on cash.

A one-year view, of course, takes little account of the severity of the October crash, or of what may yet happen in the coming months. But data from Professor Paul Marsh and Dr Elroy Dimson of the London Business School illustrates the robustness of equities over the longer view as well. One pound invested in the LBS index of all stocks in 1966 would have grown to \$94.60 by the end of 1987, compared

with \$13.90 for cash and \$9.90 for long gilts. Adjusted for inflation, the figures are more striking, equities, \$1.46 in cash and just \$1.00 - a return of precisely zero - in gilts.

This long-run series rubs in a message which is periodically forgotten in bull markets - the paramount importance of dividends as opposed to capital gains. Over the same period since 1966, if dividend cheques had been ripped up rather than reinvested, the £1 put into equities would have risen only to \$15.60 rather than \$94.60, or \$1.60 rather than \$9.90 in real terms. In any good year, rising prices will put income in the shade, but the longer series has thought-provoking implications for a market like Tokyo, where yields are microscopic and capital gain is everything.

The LBS figures are also a reminder of the consistency with which small companies outperform big ones. The LBS index extends beyond the FT-All Share Index to include smaller stocks down to the USA level, and it has outperformed the All Share in all but seven years out of the last 33. It is easy enough to suggest reasons for small companies outperforming large ones in profit terms, but less so to explain why the market should consistently underestimate the factors.

Finally, the series suggests one note of warning. Any year which has suffered a shock such as last October has been followed by a year of continued high volatility in prices. On the long view, the market will head back towards its upward trend, but it will be a bumpy ride.

Investment returns

Now that the computers have finished churning out the data on the equity market's performance in 1987, it is possible in one important sense to wonder what all the fuss was about. The Stock Exchange, behaving as a model monopolist, seems to have quietly changed the purpose of the levy to cover the cost not only of the Takeover Panel but also of the SIB, it has thus ensured that costs of self-regulation will be passed onto the consumer in terms of an arbitrary flat charge, rather than through higher (negotiated) commissions.

Under the new rules, the small man will also pay more, as the minimum charge to which the levy applies has shrunk by four fifths. But before he cuts up rough too, he should perhaps consider who it is that most of the regulation is designed to protect.

US jobless rate is lowest for some years

By Lionel Barber in Washington

US UNEMPLOYMENT fell from 5.9 per cent to 5.8 per cent in December, the lowest level for nearly a decade, the Labor Department said yesterday.

The drop confirmed that the US economy is still vigorously creating jobs in manufacturing and service industries in spite of fears about the impact of the October stock market crash. The resilience of the economy was reflected in December by non-man payroll, which rose by \$26,000, far above a widely agreed estimate of a 192,000 gain. Manufacturing jobs rose by 40,000. During the past six months jobs in this sector have increased by almost 200,000.

While the figures show the economy ending 1987 on a surprisingly strong note, there are broader worries for the coming year concerning the huge US trade and budget deficits and an expected slowdown in growth.

While the figures show the economy ending 1987 on a surprisingly strong note, there are broader worries for the coming year concerning the huge US trade and budget deficits and an expected slowdown in growth.

However, these figures are based on the customary rosy official economic view that forecasts a drop in interest rates in 1988. Private economists estimate the deficit could be as high as \$167bn in fiscal 1989, according to White House budget documents which included the forecasts for comparison.

The civilian jobless rate last month is almost a full percentage point down on the 6.7 per cent it reached in December 1986. Construction employment rose by 55,000 after seasonal adjustments, business services employment was up by 35,000 and wholesalers increased their workforces by 20,000.

However, retail-trade employment was flat for a second month in a row and the auto sector remains about 60,000 below the level of 12 months ago.

The jobs figures show industrial production is still running strongly, but the question is whether it will have to slacken in the face of weaker domestic demand in 1988. Some economists argue that the US export boom will sustain production, taking over consumer spending's role in keeping the recovery going. Others are less certain.

A third concern focuses on the average factory working week which fell in December by 0.1 hour to 41.1 hours.

Kuwaitis pledged not to seek control of BP, says Treasury

By STEVEN BUTLER

THE TREASURY yesterday moved to quell speculation over the intentions of the Kuwait Investment Office by announcing that the office had pledged not to seek control of BP.

Kuwait has built an 18.34 per cent stake in the British oil giant. The assurances, given before Christmas, are not binding, and would not prevent the Kuwaitis from trading the stake on a potential takeover.

The Treasury said it had received assurances from the Kuwait Authorities "that they have no ambitions to control BP nor any interest in any management role, and that the KIO holding in the company is intended as a long-term investment."

The statement was a response to speculation that the KIO may have been seeking some sort of influence over BP management, possibly including projects with

the Kuwait Petroleum Corporation. This could have proved embarrassing after the failure of the Government's largest privatisation effort, in which the Treasury released 2.13bn BP shares into a market that had collapsed in October's worldwide equity sell-off.

Kuwait appears this week to have halted its purchases of BP shares. BP fully-paid and the new partly-paid shares both moved strongly ahead on Wednesday, when the Government's buyback offer for the shares expired. They closed at 262p and 77p, off 7p and 2 1/2p respectively.

The KIO built its stake in the last six weeks by buying partly-paid shares, issued at 120p, from underwriters at a price just above the 70p-per-share safety provided by the Treasury buyback programme.

The programme, announced in late October, is credited with limiting underwriting losses and putting an orderly market in the shares.

Kuwait's stake probably saved the Government hundreds of millions of pounds. It spent only \$39m buying back shares from the public and retains 1.8 per cent of BP shares.

The Treasury quietly cautioned the KIO that it would be inconsistent with the KIO's stated intentions if the stake built up toward the 30 per cent level, at which point a full bid would be required under Take-over Panel rules.

The KIO operates as a passive portfolio investor in companies worldwide. To have sought to control or influence BP management would have been a sharp departure from its normal practice.

GMB official critical of Kinnock is demoted

By PHILIP BASSETT, LABOUR EDITOR

THE SENIOR trade union official who recently criticised Mr Neil Kinnock's leadership of the Labour Party is being moved from his union post to take a lower job in the organisation.

Mr David Warburton, principal national officer of the GMB general union, provoked angry responses from Labour MPs and the party leadership when he criticised Mr Kinnock in Forward Labour, a centre-right journal he edits.

He accused Mr Kinnock of lethargy and of "basking in the satisfaction of a new image" since the general election. He said the gap between the party leadership and the rest of the Labour movement was sad, surprising and "demoralising".

Labour MPs accused Mr Warburton of "ignorant and ill-judged" criticisms which hindered rather than helped Labour. Immediately after Mr Warburton's attack appeared in Forward Labour, Mr John Edmonds, GMB general secretary, disowned it. He made it clear the article

reflected neither his views nor those of the GMB.

Some are urging the union's leadership to press for his full resignation.

Mr Warburton is to cease editing Forward Labour at the request of the GMB and it is unclear whether the journal will continue to be published.

Mr Kinnock is aware of Mr Warburton's move within the GMB. His reassignment to industrial duties will mean that he will cease to represent the GMB on the union's political umbrella, and will probably lose the chairmanship of and his seat on the TUC's general purposes committee, which controls the running of its annual Congress.

Mr Warburton's supporters maintain that his criticisms of Mr Kinnock were made entirely in the context of an interview given to a newspaper. They claim that Mr Kinnock and were not intended to be damaging to either Labour or the GMB.

internally that a move back to his previous rank is insufficient. Some are urging the union's leadership to press for his full resignation.

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Turbulent week continued from Page 1

ing to stop a de-stabilising rise in the US currency. European monetary officials, however, said yesterday that there is a privatisation, understanding between the G7 nations on the extent to which they will

co-operate to defend the dollar. In London the FTSE 100 Share index rose 13.2 points to 1,424.5 and the FT Ordinary Share closed 10 points lower at 1,424.5. The dollar closed at DM1.6506 compared with DM1.6385 and at ¥129.05 compared with ¥128.5.

The pound closed at \$1.8070 compared with \$1.8180 and at DM2.9825 compared with DM2.9750.

CHIEF LONDON PRICE CHANGES YESTERDAY

Table with columns: RISES, P & O Deficit, FALLS. Lists various stocks and their price changes.

WORLDWIDE WEATHER

Table with columns: City, Temp, Wind, Rain, Cloud. Lists weather conditions for various cities.

Minister seeks report on BT's Talkabout service

By DAVID THOMAS

LORD YOUNG, the Secretary for Trade and Industry, has taken the unusual step of asking for a report on Talkabout, a British Telecom service which allows up to eight strangers to talk to each other on the phone for a premium charge.

There have been allegations that some children have run up large bills on the service and that it has also been used for immoral purposes.

Lord Young has written to the Office of Telecommunications, the industry's regulatory body, requesting information from it as a matter of urgency. He wants a report by the end of next month.

BT says it has tightened the monitoring of Talkabout and has introduced safeguards designed to prevent abuse. However, Lord Young's letter refers to a case where three 16-year-old girls claimed to have been placed at personal risk through using the service.

Professor Bryan Carsberg, OfTel's director general, intends to reply to Lord Young's letter soon. He is understood to believe that monitoring of Talkabout could be improved still further and is considering whether the service should be available only for telephone customers who specifically subscribe to it.

Israel Continued from Page 1

security forces have exercised "maximum restraint". Our Middle East Staff writes: Mr Mohammed Bassiouni, Egyptian Ambassador to Israel, warned in an interview published yesterday that diplomatic links could be affected by a further deterioration of the situation in the occupied territories.

There exists the possibility of a break in relations, a recall of the ambassador or a reduction in the embassy staff, he told As-Sina, a Nazareth-based Arabic language magazine.

Sir Geoffrey Howe, the Foreign Secretary, yesterday criticised Mr Shaminir for his refusal to meet Mr Goulding.

"Does it not illustrate only too clearly the attitudes that make it

more choice. A range of 30 UK Authorised Unit Trusts is available from Gartmore, one of the largest British owned investment management companies. For the experienced private investor and adviser this means more choice to tailor an investment strategy to meet individual requirements. For the investor who finds such a range of investment opportunity overwhelming, we advise you to contact your financial adviser or call the Gartmore Investor Services Department free on 0800 289 336. Formerly Oppenheimer unit trusts. Gartmore Fund Managers Limited - Gartmore Trust Management Limited, Gartmore House, P.O. Box 65, 16-18 Monument Street, London EC3R 8QQ. Tel. 01-623 1212.

WEEKEND FT

Saturday 9/Sunday 10 January 1988

MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV

THERE ARE two ways of describing Miami, though neither of them does the place justice and each is prey to sabotage by pernickety contradictions. The first is to aver that Miami is the spot where America is disappearing most speedily down its own plughole: a maelstrom of vice, crime, drugs, money, riots and the fatal glitter of all our complexities and illusions.

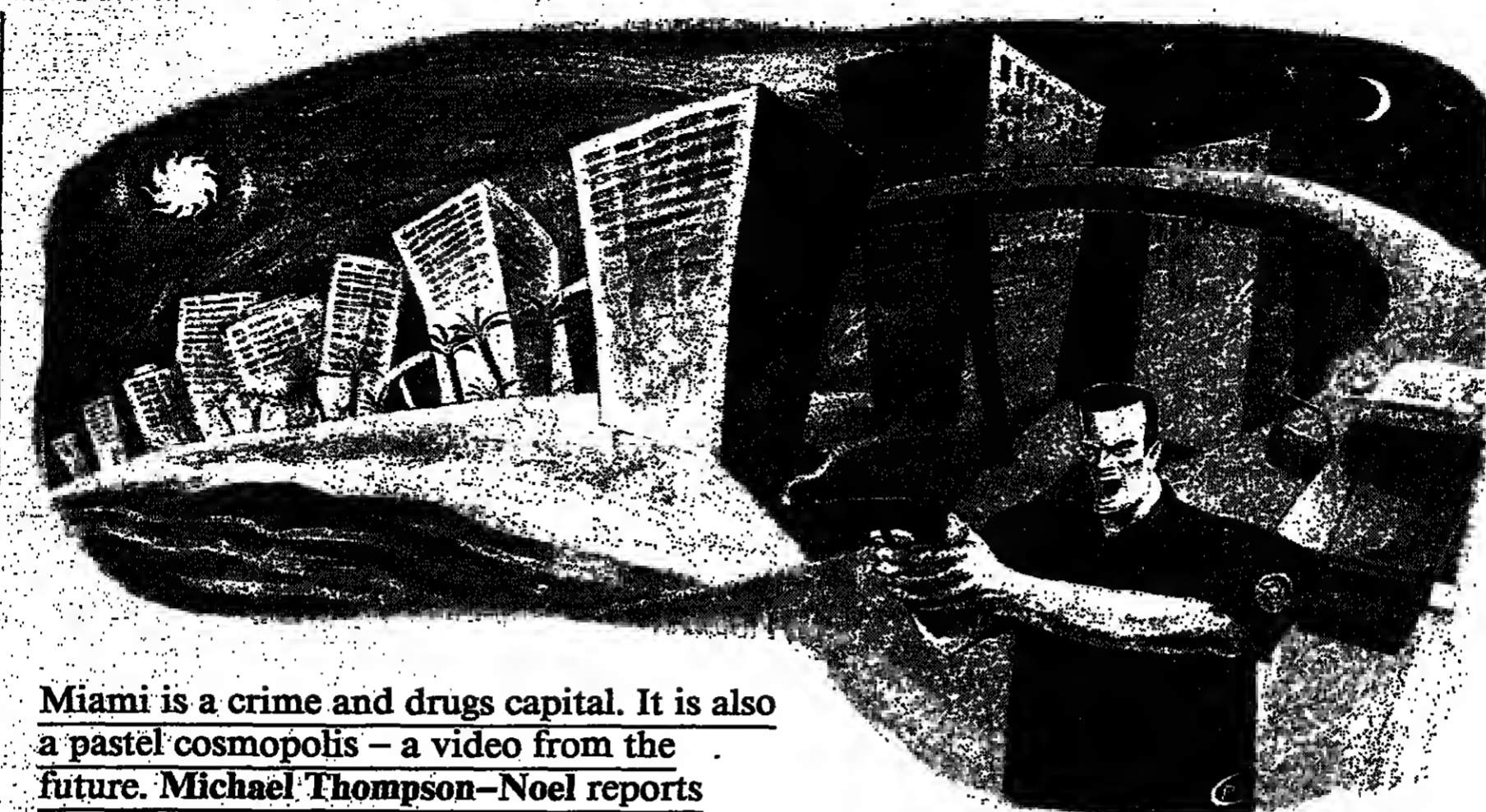
The second way to describe Miami is to avouch that it is the place where the future is streaming down to earth most obviously and rapidly: a cosmopolis of opportunity and prosperity; bilingual, triethnic, multicultural and futuristic. So much fun, in fact, and sex, and sun, and shimmering greed - that Miami has triumphantly borne out the analysis of Frederick Lewis Allen, who maintained, more than 50 years ago, that Miami's appeal was generated by "a paradoxical, widespread, but only half-acknowledged revolt against the very urbanisation and industrialisation that very concentration upon work" that made American affluence possible. To spend money, said Allen, the American businessman longed to escape into the free sunshine of a never-never land which "combined American sport and comfort with Latin glamour."

As it was written, so it has come to pass. T.D. Allman, one of a number of writers whose insight has recently bathed Futuretown in a fresh and revealing glow, maintains that what you hear in Miami is "the sound of quicksand being metamorphosed into concrete, of swamp and scrubland transforming itself, almost overnight, into a test case of America's future."

Yet the changes have come so rapidly, and have been on such a scale, that it is difficult to interpret or encompass them. "Is Miami race riots and drowning boat people?" he asks (*Miami: City of the Future*). "Is the drug and crime capital of the United States in Miami the crisis of the elderly or some Sun Belt fountain of perpetual youth? Or is it the world's newest great city, as the local boosters like to say? In recent years the confusion has become national."

In the beginning, there was no such confusion. Miami, 140 miles from Cuba, was where middle-class American folks went for winter sun and where the elderly played shuffleboard and died. Miami Beach, originally a rattlesnake and mangrove-infested sandspur that is now loved for the rehabilitated gifts of its Art Deco district (more than 80 blocks and 800 buildings surrounding Flamingo Park) was initially developed as a coconut plantation, then as an avocado grove, and finally, in the 1920s, as a sun-and-fun capital. "Miami was a boom town, real estate coinciding with fashion for the life-enhancing properties of 'artistic Miami,' otherwise known as sunlight. Miami was on its way. Its fantasy life had started."

Indeed, today's cocaine cowboys in southern Florida have no less a role model than Al Capone to live up to, the fires of many molestations to luxuriate in the warmth of Miami's corporate and pleasure culture. Later, other elements were grafted on to the story of Miami's transformation, most notably the arrival of exiles and other refugees from Castro's Cuba whose numbers, augmented by the 1980 Mariel boatlift of 125,000 Cubans, including 1,850 convicted criminals and mental patients, rapidly promoted Miami to its modern-day status as the de facto capital of the Caribbean and much of Latin America. Miami is now so clearly an His-



Miami is a crime and drugs capital. It is also a pastel cosmopolis - a video from the future. Michael Thompson-Noel reports

Postcard from Futuretown

panic city that there are those who maintain that its links with the rest of the US have become tenuous in the extreme, as though it was no longer an American city. Hence the bumper sticker "Will the last American to leave South Florida please bring the flag."

Yet the Mariel boatlift was only one of a trio of disastrous events that hit Miami in 1980 and might have engulfed a less gritty and resilient place. First, Liberty City and other black neighbourhoods "broke over into some of the bloodiest rioting ever seen in America. Then, scores of Haitians, boat people seeking sanctuary, drowned in the brochure-brochure waters off southern Florida, their bodies washed ashore on tourist beaches.

Mixed in with these happenings were other traumas, most prominently Miami's irresistible appeal as a haven for drug smugglers and its emergence - for a while - as the possession of the highest murder rate in the US. Cocaine was everywhere. By 1981 it was estimated that 70 per cent of all cocaine and marijuana smuggled into the US was passing through the Miami area. A scientist determined that one-in-ten of all \$20 bills circulating in Dade County bore traces of cocaine powder.

But Miami ploughed on, constantly reinventing itself, ceaselessly renewing itself, tirelessly replaying itself as a video from the future. It saw its biggest building boom ever. In downtown Miami there

rose pastel-hued skyscrapers of astonishing beauty. Miami became a cruise ship capital, with gleaming love boats slinking out to sea packed with steamy vacationers. Miami International Airport is futuristically efficient and impressive. A \$1bn Metrorail appeared, and so did Metromover, gliding and floating over the heads of downtown workers and tourists: a Martian fantasy. There are now more than 60,000 hotel rooms in Greater Miami. Tourism still booms, and so does convention-hosting. After California, Florida is America's most favoured relocation spot for non-manufacturing industries. Despite its travails, then, Miami is hot - hot vice, hot money, hot fashions, the works, a boomtown-cum-Latin capital whose decadence is chic. As migrants continue to flock to southern Florida, Miami folds them all - bankers, merchants and service industry professionals together with painters, writers, artists, architects and the glitter-trash of global society columns - to its sticky Latin bosom. In the US, says Allman, only New York and Los Angeles clearly exceed Miami for sheer cosmopolitan, urban excitement.

Jim Hampton, editor of the Miami Herald, told me: "Miami's zesty, all right. Why, it's the best news town in the whole blue-eyed world. Where but in Miami would you find the political headquarters of the Nicaraguan contras and

the CIA's own airline across the street from one another? In 1984 we discovered Ollie North. In Miami, big national stories are actually local news."

Last month, front page stories included the rebellions at federal prisons in Georgia and Louisiana, where Cuban detainees rioted and took hostages after news of a revised agreement between Washington and Havana to swap Marielito criminals and mental patients for Cuban political prisoners and others, and the carnage in Haiti that marked November 29's aborted elections. Both stories stirred profound local feelings. Another Herald story told of the indictment of Miami arms merchant Sarkis Soghaniyan, his son Garabet, and two aviation executives "on charges that they conspired to smuggle 103 combat-ready helicopters and other weapons to Iraq by falsely claiming the arms were bound for Kuwait and Italy."

A more intimate glimpse of life in Miami can be discerned within the shadows of the classifieds: "Tennis lessons, Key Biscayne. Your court or mine." "Accent reduction. Improve your English pronunciation. Free brochure." "State of the Art Voice Mailboxes." "Let's Get Physical." "Jacquelyn's Massage." "Fam's Tanning." "Jewish Productions Inc." "Latin Singles Inc." "Own Your Own Apparel Store." "Capital Available. \$1,000,000 Min." "Prime Waterfront Prop-

erty. Choicest Spot on the Market!!! \$985,000!!! "Luxury Condos. Pool/Sauna. Top Security!!!" "Security!!!" "Security!!!" "Security!!!"

In Miami, Joan Didion discusses Futuretown's advanced interest in personal security and wellbeing. The security installations in certain residential areas, she says, could have been transplanted intact from Bogota or San Salvador, while even modest households possess detailed information about perimeter defences, areas of containment, motion monitors and closed-circuit television surveillance. "Break-ins were referred to by the Metro-Dade Police Department as home invasions... A firm specialising in security for the home and automobile offered to install bullet-proof windows tested to withstand a 7.62mm NATO round of ammunition, for example one fired by an M60."

Miss Didion is also engaging and astute on the elusiveness and fluidity of Futuretown, where the buildings themselves swim free against the sky, where consonants are missing from local speech patterns, English or Spanish, where money moves on hydraulic verbs - when not being washed it is being diverted or channeled - and where local stories tend to turn on underwater plots.

She recalls trying to touch the bottom of one such story about six hand grenades which had just been dug up in the

backyard of a Biscayne Boulevard pawnbroker who had been killed in his own bed a few years before, shot at close range with a .25-calibre automatic pistol. There were other surface details, such as the wife who fired the pistol.

"But the underwater narrative included, at last sounding, the Central Intelligence Agency (with which the pawnbroker was said to have been associated), the British intelligence agency M16 (with which the pawnbroker was also said to have been associated), the late Anastasio Somoza Debayle (whose family the pawnbroker was said to have spirited into Miami shortly before the regime fell in Managua), the late Shah of Iran (whose presence in Panama was said to have quered an arms deal about which the pawnbroker had been told), Dr Josef Mengele (for whom the pawnbroker was said to be searching), and a Pompano Beach resident last seen cruising Miami in a cinnamon-coloured Cadillac Sedan de Ville and looking to buy, he said for the Salvadoran insurgents, 1m rounds of ammunition, 13,000 assault rifles, and 'at least a couple' of jeep-mounted machine guns."

It is into an atmosphere like this that messages from outside intrude with only a glancing impact. In my hotel room at Key Biscayne one evening I read a card which stated: "Dial 7-121 for your Personal Service Manager. Prompt one-to-one solutions to problems at any hour." I nearly called him up and asked him to turn on the television for me, but managed it myself. It was showing Hollywood Squares, beamed from California. A pretty black actress was asked to name the world's longest-reigning monarch. She thought intently for a few seconds. "Fidel Castro," she announced, smiling proudly. Several miles away, across Rickenbacker Causeway, in the velvet night of Futuretown, I could hear a deep and angry hiss, like an alligator's.

The mayor of Futuretown is a middle-class, Cuban-born, Harvard-educated lawyer, Xavier Suarez, who used to live in Washington, DC. Twelve years ago, following graduation, Suarez bought a used Buick for \$75 and headed south to try his political luck. He was recently elected for a second term as mayor of Miami.

His opponents call him a "pothole mayor" - low on style, busy with good works - but he brushes the description aside. "I felt that the best way to promote Miami's development was precisely to clean the city, reduce crime, lower taxes and maintain public tranquillity. Miami is a flamboyant enough city that it can afford, and may need, a low-key mayor."

There are those who maintain that Miami will ultimately lose its notoriety and specialness. That the crackdown on drugs will oblige the barons to move elsewhere and import their wares through other channels. That the city's energetic war on crime will prevail and that the murder rate will drop further. That the blacks will be raised up and that the Cubans and Haitians (and others) will be assimilated as American demographics continue their evolution. That as Miami's young Hispanics grow older, Miami will become more and more "American" (or, more probably, that the rest of America will come to seem more and more like Miami). That as Miami loses its rawness and dazzle it will become just another tourist city, even a backwater.

But I wouldn't bet a cent on it. Miami has surprised us once too often. It is a conflation of our futures. The video rolls on.

The Long View

Japan's invasion: don't panic yet

THE SCARE story about the impending Japanese invasion of London has had a wonderful run. Less well publicised is the way in which the British government has worked extremely hard to ensure that Japanese escalation does not mean maximum competitive advantage against their British and American counterparts. You think I am joking? Far from it: looking back at the way the British government has conducted its negotiations with the Japanese over financial services is enough to make an ardent protectionist glimpse a pragmatic case for free trade.

It was Mr Michael Howard, in a previous ministerial incarnation, you may recall, who went to Tokyo to give the Japanese a wiggling about their failure to allow more British firms a seat on the Tokyo Stock Exchange. In the period before the British general election it looked like a neat piece of political brinkmanship. A little tub-thumping rationalism never does any harm with the British electorate (as Mr Howard well knows, with the Liberals stirring up much embarrassing fuss about the Channel Tunnel in his own Folkestone constituency at that time), and even if the Japanese decided to call the British bluff they could be relied on to offer the minister a polite reception while keeping the bad news for later. Meanwhile the big Japanese securities firms in London waited anxiously to see how long they would have to wait to enter the gilt-edged and equity markets. While the British insisted robustly on reciprocal rights for British firms in Tokyo.

Now the case for free trade in financial services is much the same as in any other. According to economic theory, a liberal trading system is supposed to promote maximum efficiency in the output of goods and services by allocating their production to the countries that enjoy a comparative cost advan-

It is a mistake to assume that Japan will dominate everything. The Anglo-Saxon financial world does not suffer from lack of competitive instinct or skill says John Plender



As for the European and American houses that have just gained access to the Tokyo exchange, they are doing their best to put a cheery face on their predicament. For not only do the prospects for the Japanese securities industry look bleak in the wake of the decline in volume since October, the foreigners' natural clientele, which consists of non-Japanese investors, has taken fright at the level of the Tokyo market and to a large extent vomited, even though Japanese share prices are down less than those on Wall Street or London since the crash. And who knows by the time the next bull market comes along, the Japanese may have decided to follow the British and US example of liberalising the stock market, thereby cutting down to size the fat fixed commissions on which the Tokyo Stock Exchange has thrived.

Does this mean that the British and the Americans should now be in an even bigger panic about the Japanese invasion? Probably not. For there is no escaping the fact that the world's biggest creditor, which Japan has now become, must inevitably take the lion's share of international financial business if it wishes to do so.

London's rise as an international financial centre owes everything to empire, 19th century economic might and the role of sterling. The international clout of the US commercial and investment banks in the second half of the 20th century is built around the central role of the dollar and financial system of the dollar. As the Japanese gradually take over the role now occupied by the Americans, their financial institutions will inevitably follow on the coat-tails of their capital outflow. In all those areas of the financial business where the ability to establish market share rests on no more than ready access to cheap funds, they will surely come out

The mistake is then to assume that they will somehow come to dominate everything. For the Anglo-Saxon financial world does not suffer from any shortage of competitive instinct or skill. Nor is it wise to assume that the Japanese are any less prone to short termism than we are. They are notably short sighted on the issue of trade and capital flows, even if their politicians are better judges of markets than ours. There is a general assumption among senior Japanese politicians and officials, for example, that Japan can run a trade surplus indefinitely, even now that the country is the world's biggest creditor and second largest economy. Yet Japan's debtors are unlikely to be able to service the debts they owe to Japanese investors and savers unless the Japanese surplus in due course turns into a deficit.

That is one reason for thinking that the trade surplus will disappear sooner than most people now expect. Another reason is that the Americans have already made it clear, by inflicting massive losses on Japanese investors through dollar devaluation, that they have no intention of paying for Japanese pensions in the 21st century. And the Americans, incidentally, were once in a rather similar position themselves. Earlier this century they thought they could cheerfully maintain their status as the world's largest creditor while simultaneously mounting huge trade barriers against the countries to which they had lent the money. Most Americans learned their lesson, albeit indirectly, in the soup queues in the 1930s.

But not all, it seems. In recent months at least one US Congressman has been calling for the withdrawal of Nomura Securities' licence to operate in the US primary bond market. The world's biggest debtor cutting itself off from the world's biggest source of funds? Now there's a real short termism for you.

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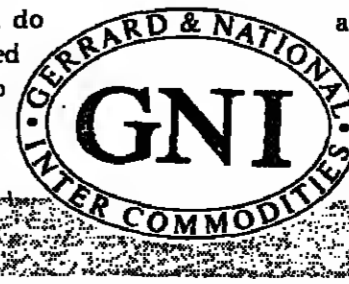
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MARKETS

Not such a happy New Year for all

TRADITIONS are fading fast in the City these days. Certainly the conventional New Year firming of equity prices looked a little shaky in 1988, with the first two days of post-holiday enthusiasm quickly converting to a more uncertain mood as the prolonged Christmas account drew to a close.

That thin band of dealers who man the screens during the post-Christmas week broke off for New Year with the FT 100-Share Index standing at 1,712.7 - only some 30 odd points up on its starting 1987 level after the final year-end tumbles.

The year 1988 began on a much more cheerful note. The two opening trading days saw sharp improvements, with Footsie adding 34.8 points and 42.1 respectively. Mid-week, though, any hopes of further progress evaporated after a check in the dollar's progress and then a downward trend on Wall Street.

Even so, London's muted response - it lost just 2.4 points on Wednesday and Thursday overall - was seen as encouraging. A month ago, the swing would surely have been more dramatic.

Come Friday, prices tried to firm again. They did not get far - having been 11 points higher at mid-morning. Footsie faded in light trading. As Wall Street opened, London went into modest decline and the 100-Share Index settled at around the 1,785 mark.

The immediate key to much of this variegated pattern of New Year trading was the US currency. The first part of the week saw aggressive and concerted central bank intervention to prop up the dollar - including, most encouragingly, some participation on the part of the US Federal Reserve Board. It has been the US Treasury's apparent reluctance to underpin its own currency which has worried the market most. What price Group of Seven communiques in the face of US sang-froid?

Given the hefty recent investment by corporate UK in transatlantic companies - some \$26bn in 1987, after \$14bn in 1986 - the

ailing dollar clearly spells potential problems on earnings translation. By Thursday, however, the US currency's performance looked less convincing, and - with the London market obediently dipping - the dollar nudged back to close that day at \$1.816. Ahead of the New Year it stood at \$1.8785.

Currencies aside, two other factors are also at the forefront of market thinking at present - one bullish, the other less so. The plus point is the rapidly recovering liquidity position of Britain's largest institutional investors. Analysts at Warburg Securities estimate a minimum improvement of \$5bn - a mas-

sive 40 per cent - between the crash in mid-October and the year-end.

In part, this has been due to the wave of cash bids which surfaced in the wake of plunging share prices. The trend, though, has also been helped along by a dearth of new issue activity and by the traditional dividend and gilt coupon season. Admittedly, many institutions have been shifting towards a greater gilt weighting in their portfolios. But even if this fixed interest allocation has been high, Warburg points to some extra counter-balancing from the sale of overseas stocks.

What gives many market-watchers grounds for moderate optimism is the thought that the liquidity position is set to progress further. Certainly, most corporate finance departments appear reluctant to release their diminished supply of new issues until market stability becomes more entrenched.

Rather more complex is the broader economic picture. On Thursday, the Governor of the Bank of England sounded a cautionary note over levels of demand in the economy and indicated potential concern over the re-emergence of inflationary forces.

Certainly, there has been little evidence of any deflationary impact from the stock market to date. Earnings are still forging ahead, with talk of skilled labour shortages in the south-east and the easing of interest rates pos-

London

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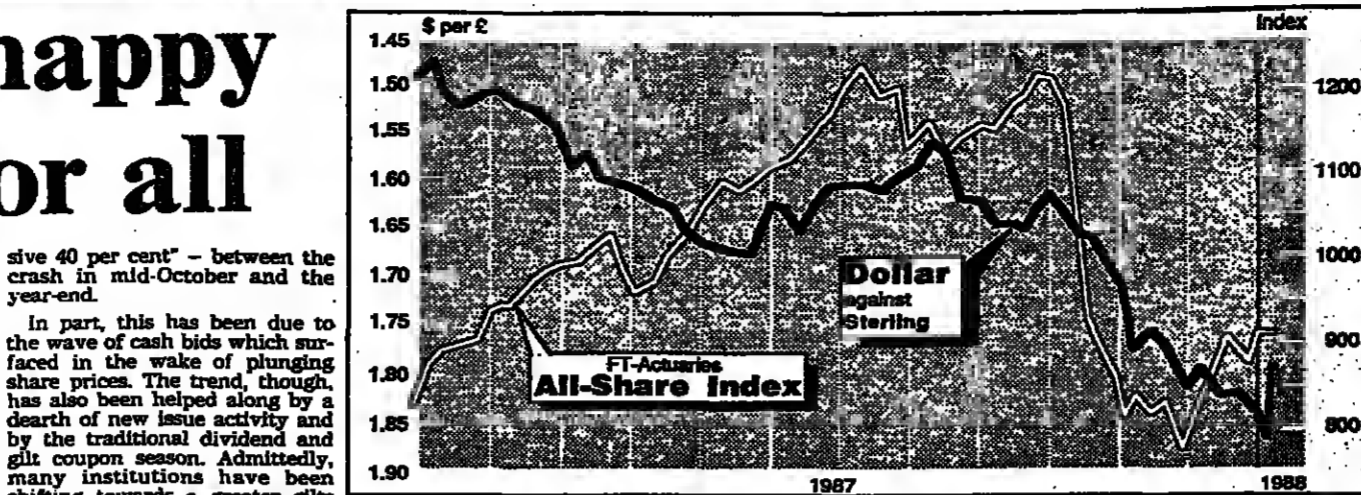
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crash gives further fuel to consumer spending.

At the back of most minds is the thought that these pressures, tentative at present, could eventually unsettle sterling. Thus, in turn, raises the spectre of a possible rise in bank rates and/or a limit on the potential tax cuts in the March Budget. At any rate, such worries were sufficient to provoke price falls in the gilt market as the week wore on, with the yield on high coupon longs rising to almost 9.7 per cent by Thursday night, compared with 9.55 per cent at the end of 1987.

That said, any New Year bull could find some cheering features on bids and deals front. The decision by Williams Holdings, the highly-acquisitive industrial, to finance its £123m purchase of Berger Paints in early-December via a £100m venture placing, looked bold - especially since the placing price had been set at an unusually low 10 per cent discount. Last week, however, it became clear that fortune does indeed favour the

brave; existing shareholders "clawed back" 92 per cent of the new shares.

On similar lines, Newcastle-based engineering group NEI lagged on a fully underwritten cash alternative when it unveiled a long-awaited bid for neighbouring Victor Products last Thursday. True, the issue - only 5 per cent of NEI's enlarged equity and worth a modest £12.2m in the underwritten price - is scarcely a blockbuster. There is also an 8 per cent yield on offer. Nevertheless, Farnure Gordon, brokers to the issue, reported no problems in getting the paper away "and that's something we couldn't have done a month ago," they comment cheerfully.

Steve, too, appears to be hunting along its all-cash contested offer for mail-order business, Freemans. On the first closing date, it upped the value of the offer from \$430m to \$477m, declared the new terms final, and shortened the total offer period to five and a half weeks. Although the retail giant main-

tains that its aim is to get the business moving, company-watchers point out that thoughts of a rising market are no help to existing cash bidders. Offers which once seemed a godsend quickly appear opportunistic.

Round at BP, of course, market movements take second place to the willingness of the Kuwaitis to shell out for stock. With their enthusiasm for the oil giant undiminished - and the partly paid shares trading at around 70p-75p - the Bank of England was able to withdraw its share price underpinning last week with its coffers virtually intact. The buy-back programme cost the Bank just \$27m; 39m shares were sold back from 11,000 investors, just 1.8 per cent of the issue.

But with the KIO now reckoned to speak for almost one-fifth of BP, most companies would doubtless prefer to take their chances bid the market these days. Some sort of support will never be welcome.

Nikki Tait

Sock Shop is striding ahead

ONE OF the requirements for directors of companies seeking a USM listing is a hard head. To become a paper millionaire overnight quite common in the pre-crash days - is quite a test of character.

Equally demanding are the vicissitudes of the USM, where share prices tend to be more volatile than in the main market due to the limited size in which most stocks are quoted.

None of this seems to have troubled Sophie Mirman or Richard Ross, co-founders and chairman and joint managing directors of Sock Shop, the retailer of socks, tights and stockings.

This week, the company reported its first results since coming to the market in May, in an offer which was oversubscribed 63 times. At the end of the first day, the shares had doubled their 120p offer price, capitalising the company at nearly \$56m on a prospective p/e of 49. This valued the co-founders' shares at \$49m. Over the summer, the shares fell back to around 220p from a high of 290p

Junior Markets

Jenny Nibbs, analyst at Capel-Cure Myers, expects the company to report \$3m next year, which puts the shares on a fairly demanding prospective p/e of 28 at 213p.

Sock Shop has a full expansion programme this year, with 80 outlets planned for the UK, 12 in the US and the first stores in France. Eventually, it wishes to have 260 stores in the UK and to be a major international chain. It



Sophie Mirman, chairman of Sock Shop

currently has 52 in the UK and three in New York. Indeed, Wednesday's final results were better than the \$1.6m forecast, with pre-tax profits of \$1.88m (\$0.77m).

At the moment, there is no need for more capital, says Mr Ross. "But things change. We might have to go for a higher overdraft, or issue more shares. We would rather tie an issue in with coming to the main market," which the company could do later this year.

Following its USM listing, the company has had to adapt from a proprietorship where Ms Mirman and Mr Ross did everything. After their daughter was born, Ms Mirman did the buying from

her hospital bed and was back in the office in ten days.

They have since recruited a team of buyers, personnel staff, and recently, Mr Peter Moss, as corporate development director, and several functions have been brought in-house.

"This year, Sock Shop intends to try to offset higher costs by raising gross margins by 2 per cent through introducing more own-label designs (currently 70 per cent of sales) and carrying out more functions in-house - in-house design and own label packaging has enabled Sock Shop to price its new range of tights, 'Slickers' at £1.75, rather than up to \$2.99 for similar branded goods.

Despite their success since Sock Shop opened in Knightsbridge tube station with Ms Mirman and Mr Ross as sales assistants, both pairs of feet are firmly on the floor. "We want to stay a specialist shop," says Ms Mirman. "There is a danger of overexpanding the range." The emphasis is on quality, buying the best yarns at the cheapest prices.

The decision to become more self-sufficient was indicated by the stock market crash. "We made more decisions about the business on Black Monday than we had before," comments Mr Ross. "Some of our own ranges were born as a result because we realised we could not afford to rely on other people and we had to be in control."

It may also be true that the stock market crash heralds a new era in fashion. If this is so, unannounced, Sock Shop has got it right with "Slickers": the range is dark, city-like and sombre.

Heather Farmbrough

TSB banks on diversification

TSB, the financial services group, announces its figures on Friday. The group has been keen to spend the proceeds of its 1986 flotation and diversify its interests, bidding successfully for Target, the life assurance company. The controversial \$77m acquisition of merchant bank Hill Samuel occurred after the year-end.

The group is expected to announce pre-tax profits of around £290m for the 48 weeks to end of October. The shorter period is due to a change in the year-end, from November 20 to October 31. When adjusted for a full year, the final instalment of the share flotation proceeds and the acquisition of Target, the pro forma pre-tax profit should be at least \$345m, compared with a pro forma profit of \$330m pre-tax for the previous full year.

Analysts still regard TSB, despite diversification, as well-capitalised, low-risk and slightly boring. The performance of the enlarged group's banking arm has been disappointing compared with other big banks, but life assurance profits should show growth, partly due to the purchase of Target.

DIXONS GROUP, Britain's leading electricals retailer, is expected on Wednesday to report pre-tax profits of \$52m for the

heavy industrial valve business probably experienced flat demand, although it will have been helped by earlier capital investment.

Results Due

heavy industrial valve business probably experienced flat demand, although it will have been helped by earlier capital investment.

The BODY SHOP is expected to announce pre-tax profits of about \$5.4m for the year to September 30 1987, up from \$3.45m last year, when it announced its results on Monday. Sales were strong, more than 50 per cent up on the previous year, and the expansion plan has continued apace. There are now 100 UK outlets and 200 overseas, in 32 countries.

The French and German operations are going well and all the groundwork for the US launch - set for June - has been completed. Also the big warehouse programme is now finished, which has eliminated the annoying stopgap between the factory and the shops.

So widely recognised are the insurance broking sector's North American woes - a weak dollar and premium rate-cutting - that PWS HOLDINGS has seen its share price under-perform the FT-Actuaries All Share by 40 per cent in the last six months. Analysts expect little relief from Tuesday's final. In September, PWS was already warning of the negative impact of the dollar on earnings from North America.

The real interest will be in PWS's views of pricing trends in the reinsurance market. The London renewal season of which is all but finished. Warburg Securities forecasts PWS's pre-tax profits will be almost static at \$6.6m. On Thursday, PARKER (KEL), the fast-growing engineering group, is due to announce its interim results after yet another hyper-eruptive first half.

Results Due

COMPANY NEWS SUMMARY

Table with columns: Company, Value of bid, Market price, etc. Includes entries for Abnco Eng, Ascham Chem, Birmid Quilcast, etc.

*All cash offer. †Cash alternative. Partial bid. \$For capital not already held. ‡ Unconditional. **Based on 2.38 pps shares 8/1/88. †At suspension date. Shares and cash. ‡Related to NAV to be determined. †Lass stock. ‡Seape

PRELIMINARY RESULTS

Table with columns: Company, Year, Pre-tax profit, Dividend, etc. Includes entries for Abbey Panels, Ass. Energy Svc, etc.

INTERIM STATEMENTS

Table with columns: Company, Half-year, Pre-tax profit, Dividend, etc. Includes entries for Abbey, Bolton Home, etc.

(Figures in parentheses are for the corresponding period.) *Dividends are shown net pence per share, except where otherwise indicated. L = loss.

RIGHTS ISSUES

Barbican Holdings are to raise £4.3m via a two-for-one rights issue.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

In Shares are to come to the main market via a placing at the end of this month.

RESULTS DUE

Table with columns: Company, Announcement date, Dividend, etc. Lists numerous companies and their financial results due dates.

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.

BERKSHIRE

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Unlisted Securities Market and The Third Market

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LAST WEEK'S CHANGES

The following table shows the change in the FT 30-share index and its constituents over the past week. The FT-SE in dex is also shown.

Table with columns: FT 30-Share Index, Price, Change, etc. Lists various companies and their share price changes.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

Table with columns: Product, Rate, Frequency, etc. Lists various financial products and their interest rates.

*Lloyds Bank. † Halifax 90-day, immediate access for balances over £25,000. ‡ Special facility for extra £25,000. § Source: Phillips and Drew. ¶ Assumes 4.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

MARKETS

Theatrical ploy wins an ovation in Tokyo

JAPAN'S Ministry of Finance has often demonstrated a "left hand at writing scripts for Tokyo financial markets. By this week, however, its plot for the Tokyo stock market had become so bogged down that it decided to resort to a *deus ex machina* to save the situation.

The device was clumsy, but it had an instant and dramatic effect, sending the Nikkei average of 226 leading shares on the Tokyo Stock Exchange up 1,215.22 points on Wednesday, the second largest one-day gain in history. This was followed by further small rises on Thursday and Friday, and the Nikkei closed at 23,723.6, nearly 8 per cent above the week's low point on Tuesday, the first day of 1988 trading. Volume in each of the last three days was roughly double the average daily rate in November.

It remains to be seen if the MoF's theatrical device - an accounting rule change aimed at dissuading some institutional investors from liquidating their portfolios in March - will still be working its magic at that time. However, Tokyo analysts are agreed that the outlook for the world's largest stock market is now less uncertain than it was before Wednesday. "We have not so changed our forecast for the market since Wednesday," one foreign stockbroker in Tokyo

claimed yesterday. "But we feel a lot more confident about it now."

The move by the MoF was breathtaking in its audacity, reversing a drive to improve disclosure by big institutional investors. A year ago, the Ministry served notice on the country's Tokkin fund operators that they would henceforth have to prepare the annual evaluations of their holdings on the basis of

Japan

the lower of cost or market prices. Until then, Tokkin funds, which have become popular vehicles among industrial and life insurance companies for investing surplus funds, had been allowed to state values at cost, thus concealing any losses until realisation. The new guidelines went through with a minimum of fuss but, in the wake of the October stock market crash, Tokkin fund operators suddenly realised that they would soon have to report significant losses. In the case of life insurance companies, the losses would affect dividend payments to policyholders. Securities industry leaders feared that operators of Tokkin funds would be so demoralised by the experience that many would liquidate their funds at the fiscal year end in

March. The cumulative value of Tokkin funds and the closely related fund trusts had become so large (¥30,200bn [£22.2bn] at the end of November) that this could become a serious drag on the stock market.

Some MoF officials believe the sell-off might have been as much as ¥2,000bn, causing TSE prices to plunge. Analysts say fear of this prospect was already affecting the market. They say Tokkin managers have begun to sell shares in anticipation of liquidations, fearing that prices would move lower in the next two months, and that this was a significant factor in the unusual slump in the market at the end of last year.

So, how do things look in the wake of what might be called the great Tokkin adjustment? Still not brilliant, according to most analysts in Tokyo, but perhaps offering a potential for growth for the selective investor. A few large negative factors still overhang the market, chief among them uncertainties about exchange rates, world trade and the performance of other stock markets, especially New York. Many Tokyo analysts fear that the underlying trend for the dollar, despite this week's sharp recovery, is still downward, and that could undermine the recovery of Japanese manufacturing shares. They are also worried

Country	FT-ACTUARIES WORLD INDICES	
	% change from Jan 2 '87	US \$ change since Oct 19 '87
Australia	+1.0	-35.9
Austria	-5.9	-6.0
Belgium	+5.9	-4.1
Canada	+15.4	+6.6
Denmark	+14.2	-3.8
France	+12.7	-5.5
Germany	+24.5	-1.5
Hong Kong	+1.1	-29.5
Ireland	+8.9	-25.2
Italy	-22.7	-14.0
Japan	+41.2	-4.5
Malaysia	+26.1	-2.7
Mexico	-7.4	-7.4
Netherlands	+0.2	-5.0
New Zealand	-22.7	-39.0
Norway	+8.4	-34.5
Singapore	+6.5	-25.2
South Africa	+28.7	-29.0
Spain	+23.5	-17.5
Sweden	+1.5	-17.2
Switzerland	+18.3	-15.2
Taiwan	+22.5	-7.5
UK	+4.4	+14.5

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that US trade and economic data to be published in the next few weeks will show little, if any, improvement and so could hurt market sentiment.

Domestically, the high level of outstanding share purchases made on margin remains a concern. Under Japan's peculiar system, margin accounts can be held open for six months and a big block, worth ¥6,600bn, will come due in mid-April. This potential problem would ease if the market continues to rise.

Also, although the life insurance companies have been saved from their Tokkin difficulties, they are expected to sell a lot of shares near the fiscal year-end to offset foreign exchange losses on overseas investments.

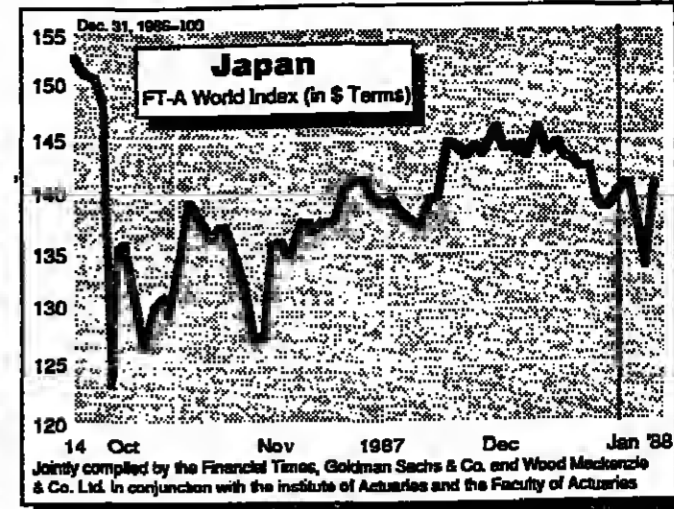
"We see a pretty choppy couple of months through the spring," Mr Bob Burkhardt, of Swiss brokers SBCI Securities in Tokyo, said yesterday. However, some positive forces are at work, especially the very strong performance of the domestic economy. Despite market upheavals, many analysts are looking for the Japanese economy to grow at a rate of about 4 per cent in the 1988-89 fiscal year, based on very strong domestic demand offsetting declining external income. In this environment, corporate profits are expected to continue rising, especially those of manufacturing companies that rely mainly on the domestic market.

"We think it will be an earnings-related market," says George

Nimmo, of Citicorp Scrimgeour Vickers International in Tokyo. He suggested chemical, pharmaceutical, machinery and paper companies would be among those outperforming the market as a whole.

Another potentially positive factor is that further MoF rule changes in the works mean that some financial institutions will be allowed to direct more of their funds to the stock market than in the past. The MoF also wants to make more privatisation share issues this year, so it will probably continue to take a positive attitude to ideas that would help keep the market sweet. It has been widely noted that the shares of Nippon Telegraph and Telephone (NTT), the latest tranche of which was sold by MoF in November at ¥2,44m per share, have been among the best performers in this week's recovery, rising from a low of ¥2,08m on Tuesday to ¥2,26m at yesterday's close. MoF is planning a further large NTT issue later this year.

Few analysts are looking for spectacular overall gains. They recognise that all categories of investors are nervous and that it will take some time for confidence to be restored. Mr Michio Oikawa, of Nomura Securities, predicted that the Tokkin rule change would restore institutional buying immediately, but



Jointly compiled by the Financial Times, Goldman Sachs & Co, and Wood Mackenzie & Co. Ltd. In conjunction with the Institute of Actuaries and the Faculty of Actuaries

that individuals and foreign investors would be slower in returning. Foreign investors have been the main sellers in recent months and their presence in the Tokyo market has been reduced to less than 3 per cent. "I believe we are at the beginning of the next foreign investment boom," Mr Oikawa said. "It will not happen immediately, but step by step."

The possible return of foreign investors is inevitably tied with the controversial question of whether or not the Tokyo stock market is ridiculously overvalued. Many analysts in Europe and the US are predicting that Tokyo share prices, which are

much higher relative to stated earnings than those in other major markets, will soon fall substantially. The counter-argument is that accounting differences and cross shareholdings by Japanese companies make comparisons on the basis of price earnings ratios misleading. "The absolute bears on Tokyo may well be right - in which case none of the other factors now affecting the market will make much difference. But they have been wrong for a long time, and have missed a lot of opportunities for making handsome profits."

Ian Rodger

Still scared of the shadows

CONSIDERING THAT the greatest hopes for the US economy in the aftermath of the October crash lie in the manufacturing sector, the New Year has opened on a paradoxical note. It is the falling dollar that is supposed to assure salvation for US manufacturers and exporters. Why is it, then, that Wall Street has derived such pleasure - 113 points worth of pressure on the Dow Jones Industrial Index in the first four days of last week - from the currency's spectacular rebound since Monday? And why did share prices promptly begin to tumble again on Friday morning, as soon as the dollar recovery seemed to grind to a halt?

Economists can, of course, come up with numerous explanations. This week the most popular view among economic fundamentalists is that the dollar had already fallen "too far" by the end of December. A dollar worth ¥130 or even more was quite low enough to provide US manufacturing industry with all the stimulus it could cope with.

Any further decline would be inflationary for the US economy, which was already responding strongly to the dollar's 50 per cent devaluation since 1985.

As for the stock market crash in October, commentators and industrialists have proved remarkably resilient, as evidenced by the continuing growth of retail sales and employment in December. Admittedly, there has only been one previous occasion this century when the US

Wall Street

economy has managed to avoid recession in the wake of a 30 per cent drop in the stockmarket, and that was during World War Two. But historical rules of thumb are made to be broken, and this time round the consensus among economists is clear - the US economy will grow by 2 to 3 per cent next year, even without any further devaluation of the dollar. The trade deficit,

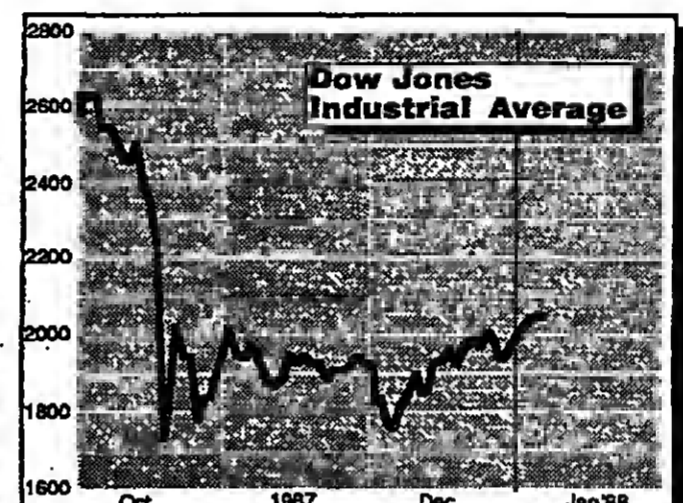
meanwhile, is clearly on the mend, as the next set of trade figures, due out on Friday, are likely to demonstrate.

There are a number of problems about this fundamental explanation of the simultaneous revival of the dollar and the stock market. One is that the improvement in the trade figures, which is justifiably expected, will still leave the US importing at least \$100bn more goods each year than it exports, a situation which can hardly be regarded as a stable equilibrium. A second problem is that some of the same economists who are explaining and justifying the dollar's rise this month, were equally confident and cogent in rationalising its collapse in December.

There is, however, a more convincing visceral explanation for the revival of confidence on Wall Street. In the last three months, the market's fear of its own shadow has been far greater than its concern about corporate profits, trade flows or any other

aspect of economic performance. This week's successful show of force by the world's central bankers has been an enormous relief to investors everywhere. Fund managers and traders, despite the millions they are paid for their sagacity and skill in allocating the world's productive resources, have always found it an enormous reassurance that there are underpaid, overworked and generally despised public officials waiting in the wings to rescue the private markets from the consequences of their much-vaunted foresight and wisdom.

Indeed, in retrospect, it is now arguable that the beginning of the end of the Bull Market of Our Lifetime came on June 3 last year, when Mr Paul Volcker announced his retirement as chairman of the Federal Reserve Board. From the day in 1980 when he decided that once and for all he would tackle US inflation, the physically gigantic Mr Volcker had come to be seen as a lone Atlas, bearing the whole of



the world economy on his shoulders. Since August 1982 the great bull market had been Mr Volcker's creature. Economists, investors and even politicians everywhere had come to regard him with almost religious awe. The interest rate on US Federal

Funds, the sole economic variable directly determined by the Fed, came to be seen as an instrument of virtually boundless power, capable of ensuring stable non-inflationary growth around the world, as long as it was safely under Mr Volcker's control.

The fact that the Dow actually jumped 42 points and the dollar strengthened on the day Mr Volcker decided to step down suggested strongly that the world's financial markets had forgotten entirely about the meaning of fear, as this column argued that week.

It is a telling coincidence that the Dow's level of around 2,900 at the time Mr Volcker announced his departure is now widely seen on Wall Street as the upper limit of the current recovery from last October's lows. The final phase of the bull market, when the Dow exploded from 2,300 to more than 2,700 in two months, is now universally identified as the speculative blow-off which everybody had been forecasting, but almost nobody recognised when it was going on before their eyes.

In view of the appalling experience of the post-Volcker era, as stock prices, interest rates and currencies have gyrated wildly, with no public figure seemingly capable of keeping the fear and frenzy of the markets at bay, it is hardly surprising that investors were delighted early this week. For it has turned out that Mr James Baker, the US Treasury Secretary, and Mr Alan Greenspan, Mr Volcker's successor at

the Fed, are every bit as skilful as the great man himself at laying bear traps for unwary currency speculators.

They have also begun to understand that sending out confusing signals about the direction of economic policy is absolutely essential if a speculatively-driven financial market is to be prevented from becoming a one-way street.

Confusion now reigns about whether the US authorities want to see the dollar rise or fall and whether the next move in interest rates is likely to be upwards or downwards. Despite the complaints of some analysts, this is a healthy state of affairs which could well create the background for a continuing stockmarket rally.

However, if, as is likely, the US economy turns out to be weaker than the consensus of economists are now expecting, the current rally could offer the last chance to get out before the Bear Market of a Lifetime begins in earnest.

Monday	2015.25	+ 76.42
Tuesday	2031.50	+ 16.25
Wednesday	2037.50	+ 6.30
Thursday	2061.50	+ 14.90

Anatole Kaletsky

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FINANCE & THE FAMILY

Bonus payout blow

October's crash hit maturing endowments, reports Eric Short

YEAR AFTER year, life insurance companies have declared increased bonuses on maturing endowments. All that has varied has been the size of the rise. This time, thanks to Black Monday, things are different. Pay-outs on maturities this month are lower than those made in December on similar maturities, particularly for the shorter durations. The effect is shown in the table for 10-year contracts. Pay-outs on the longer-term contracts still show increases in January, as seen from the 25-year table, except for special cases discussed later. The general pattern of declarations to date is that the annual reversionary bonus rates remain unchanged from last year. Indeed, many companies have kept the same rate now for several years. The action is taking place on terminal bonuses - bonus payments made when with-profit life contracts mature or become death claims, or when the pension commences on a pension contract. This reflects the underlying performance of world equity markets last year and the inter-

Maturity Values on With-Profits Contracts taken out by a man aged 29, paying £20 a month gross.

	Jan 1988	Dec 1987	Jan 1987	Change Dec-Jan	Change Jan-Jan
	£	£	£	%	%
10 Years					
Clerical Medical	8,890	8,943	8,943	-0.6	-0.6
Norwich Union	8,293	8,430	8,430	-1.6	-1.6
Comm. Union	7,784	7,485	7,485	+4.0	+4.0
NPI	7,650	8,491	7,652	+0.2	+0.2
G A Life	7,063	7,188	6,812	-3.2	-0.9
Equity & Law	6,599	7,474	7,023	-11.7	-7.1
25 Years					
Norwich Union	50,393	50,295	48,198	+0.2	+4.5
Clerical Medical	48,466	48,225	48,225	+0.3	+0.5
Comm. Union	48,383	45,921	44,767	+0.5	+8.1
GRH	46,948	46,475	42,619	+1.0	+10.1
Equity & Law	45,788	48,427	43,644	-5.4	+4.9
G A Life	45,610	45,446	40,900	+0.4	+11.5
NPI	37,870	43,101	37,824	-3.1	+0.1

esting pattern which overlaid it. For the first nine months, markets were buoyant. Then came Black Monday - October 19. Stock markets collapsed and were generally dull thereafter. The pattern had a varying effect on life companies. The majority, including Clerical Medical and Commercial Union, only review their terminal bonus rates once a year and have had no problems maintaining them. For these companies, payouts generally increased slightly this month, compared with December 1987. Other companies, however, including Equity and Law, National Provident Institution and Sun Alliance Group, increased their terminal bonus rates substantially during the year to reflect the rise in equity values. Investors whose with-profit policies matured during the second half of last year generally did very well. However,

Case for the defence

Convertible unit trusts are being promoted by the industry for their defensive qualities. As the table shows, there is a small but growing convertibles sub-sector in the unit trust industry. Convertible trusts have not been around as long as the table would suggest, some of the trusts shown, like Prolife and Allied Dunbar, were originally gilt growth trusts. This makes it difficult to compare long-term performance. How do convertible trusts shape in up performance terms? Over the shorter term the sub-sector average is comparable to that of the general UK equity sectors, but not as good as that of the gilt sectors. Over the long term convertibles look much less attractive than the equity sectors, though this is of course in bull market conditions, where growth trusts offered spectacular returns in a climate where yield is more important than capital growth, convertible trusts should do well, though they could not be expected to keep up with a renewed growth trust. As far as Prolife is concerned, its convertibles trust offers a high-quality portfolio, representing an ideal combination for the cautious investor. Convertibles are sometimes used in income trusts as a way of holding a high-quality company which would normally be excluded from the portfolio

because the yield on the ordinary shares was too low. The Prolife Trust tracked the FT All-Share index very closely during the first half of 1987, though manager John Plumptre would normally expect a rise of only about three quarters of the equities market gain. Looking at the trusts in the table, there are differences of emphasis in their composition. Some have a gilt element. The Prolife Trust is currently 75 per cent in convertibles and 25 per cent in fixed interest, which means straight preference shares and gilts. Since the crash, the trust has outperformed the market by "quite a few points," and Plumptre feels it offers protection in the event of a "further market wobble," because of the effect mentioned above: with falling capital values the yields are growing more and more comparable to gilt yields, and a fixed interest pricing basis will begin to take over, restricting any further fall in prices. Baillie Gifford launched their convertibles trust in October 1986. The trust surprised even its manager, Max Ward, by outperforming the market between launch and the end of July 1987. Ward feels this level of performance was a result of the buoyancy of the new issues market in convertibles, which he does not

Performance of convertible trusts (Figures show performance to 28.12.87, offer to bid, income reinvested)

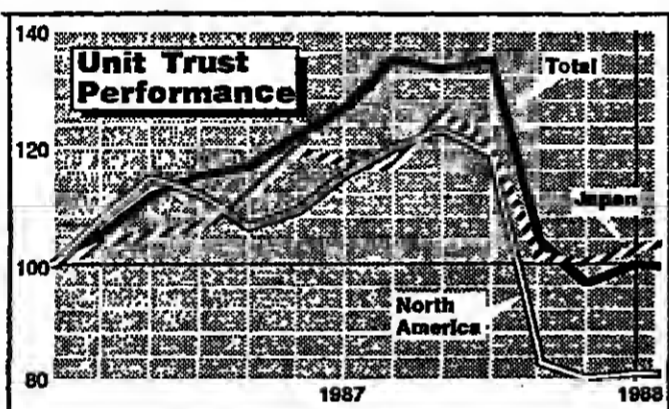
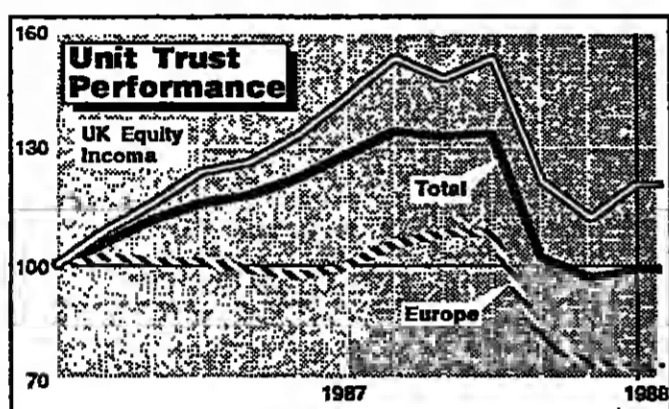
	1.7.87	1.1.87	1.1.85	1.1.83
Allied Dunbar Conv. & Gilt	78.8	111.4	132.2	150.9
BS Income Growth	75.6	111.2	---	---
Fidelity Global Convertibles	76.0	---	---	---
Framlington Conv. & Gilt	83.9	107.6	140.9	206.2
Prolife Conv. & Gilt	77.0	106.9	147.6	177.8
Royal Trust Fixed & Conv.	75.9	99.4	118.2	129.5
Target Convertible	74.9	---	---	---
Windsor Convertible & Equity	86.2	111.6	---	---
Windsor Convertible & Equity	77.4	120.8	---	---

convertible trusts have a high yield with which to console themselves: the BG trust currently yields 7.5 per cent. It is prevented by its trust deed from holding gilts in the portfolio, which has also damaged post-crash performance. However, the equity-based trusts offer a two-way bet in that they should perform better in a market upturn. He points out that holders of

Christine Stopp

Funds slide

UNIT TRUST investors, looking at the charts above, may appreciate the time-honoured warning that values can go down, as well as up. Of the 963 funds monitored by Opal Statistics over 1987, under 200 managed to show a growth rate of 10 per cent or more on an offer to bid basis. Just 249 made any advance at all, while 238 lost 20 per cent or more during the twelve months. The average unit trust lost 6.3 per cent after all costs. The heavy losers were concentrated among funds investing in the US, Europe and Australia. The top 25 for the year was dominated by trusts investing in income-producing UK equities. Guinness Mahon High Income took the top honours, but the second-placed Manulife Smaller Companies, says Opal, proved that there was still a lot of mileage in smaller UK companies for managers who could pick the right stocks. Baring Japan Sunrise was the highest-placed trust investing outside the UK, while Fidelity Japan Special Situations was the only other non-UK contender to feature in the Opal top 25. The funds which performed worst in 1987 all invested overseas, with every non-UK market except Japan represented.



Opal figures over one and five years are quoted after deduction of the initial unit trust costs, to give a true picture of the value of the units to the holder. William Cochrane

visiting garden centres at the weekend is beginning to rival football and do-it-yourself as the great British pastimes. Fifty-seven per cent of British adults called in at their local centre in 1985. Not surprisingly, this has prompted several operators to set up or expand. The latest aspirant is Seasons Garden Centres, which intends to open a chain of 10 centres in the next five years. It is offering 4.4m shares at £1 each under the Business Expansion Scheme (BES) in an issue sponsored by Chancery Securities Bank is leading Seasons £525,000. At 56, Kendrick has been in the garden centre business since 1977. He joined Capability Brown as horticultural manager, before becoming development manager. Following the death of the managing director and chief shareholder, the company went into receivership late in 1984. Kendrick was appointed managing director in 1985, and was promoted to development director in 1983. He is joining Seasons - which headhunted him - full-time on a salary of £36,000 a year, with a five-year contract. Although a finance, director and marketing manager are expected to be

appointed this year, Kendrick is the only executive director. Another executive director might have been desirable, particularly as Kendrick is 60. Non-executive directors are Richard Ratner, a stockbroker with Kitcat & Aitken and chairman of Owen Robinson, the quoted retail jewellery group, and John Baker, senior partner of Baker Lorenz, chartered surveyors. Seasons has retained Mervyn Fogel, one of the founders and later the managing director until 1980 of the Texas Homecare Group, as marketing consultant. The goal is for a public flotation after five years. There is no profit forecast, although "it can take three years for a garden centre to break even from scratch," says Kendrick. "But if we bought an existing centre, it could take only one." Kendrick is investing £10,000 in £1 shares, although the directors have a special share option commanding a bonus if the company increases its value after tax above 10 per cent a year. Chancery also has share options at the offer price. The subscription list opens on January 11 and closes on February 3, with a minimum investment of 500 shares.

consolidation." Average net margins tend to be just under 10 per cent, but with better purchasing and sharper marketing as pricing these could be as high as 13 per cent. Seasons will operate centres on sites of over five acres, with good parking facilities and additional products and services which will be franchised out, such as swimming pools, wedding bouquets and cafeterias. Kendrick has already agreed to acquire the loss-making Wislead Garden Centre's assets for £500,001, for which Barclays Bank is lending Seasons £250,000. At 56, Kendrick has been in the garden centre business since 1977. He joined Capability Brown as horticultural manager, before becoming development manager. Following the death of the managing director and chief shareholder, the company went into receivership late in 1984. Kendrick was appointed managing director in 1985, and was promoted to development director in 1983. He is joining Seasons - which headhunted him - full-time on a salary of £36,000 a year, with a five-year contract. Although a finance, director and marketing manager are expected to be

potential investors should bear in mind that the garden centre explosion may be over, but Kendrick has a solid track record, an adjective which could apply to the issue as well. Heather Farmbrough



Kendrick: big is beautiful

Heather Farmbrough

Eric Short on the options for employees who can make their own arrangements Decision time nears on pensions

WITH THE Government's brave new world of pensions due to come into being from April, employees now have the right to decide for themselves how they intend to provide for their pension in retirement. Basically, the choices are as follows: Rely on the State. Rely on their own arrangements. Rely on a combination of the above. Over the coming months, employees are going to be bombarded with information on these alternatives from their employer, their trade union and the life companies and financial advisers, each shouting their wares. The only body not trying to promote its wares will be the Government, which aims to get as many people as possible out of the State Earnings-Related Pension Scheme (SERPS). Employees will be told about a variety of schemes that are or will be on the market. Jargon will inevitably be used. While commentators will accurately describe their wares and those of their competitors, their interpretation of the products will almost certainly be biased. Since no contract is perfect, employees will need a working knowledge of each in order to make their choice. Essentially, there are two ways of approaching pension provision. First, one can set out the amount of pension under a pre-determined formula, usually related to an employee's earnings, and then calculate the cost of providing that pension. This is known as the defined benefit or salary-related approach. It is the system used by the Government for both the basic pension and State Earnings-Related Pension Scheme and in the majority of company pension schemes where pensions are related to salary at or near retirement. A salary-related system can only operate on a group basis, such as a company scheme, where the various factors involved can be averaged out. Second, one can make contributions paid at regular intervals, based on the years of service and salary at the time of retirement, less a penalty for the pension starting early. In many schemes this is known as the money purchase approach. With this scheme, contributions can be on a defined basis, or on an ad hoc payment system; or on a formula that will target towards a salary-related pension. The classic example of a money purchase scheme is the retirement annuity contract from a life company, which at present is available to self-employed and employees not in company pension schemes.

Individual pension arrangements have to operate on a money purchase basis. However, a growing number of company pension scheme arrangements now operate on a money purchase basis and the number is likely to expand rapidly under the new framework. For most employees, their only contact to date with the money purchase system would be through an AVC (Additional Voluntary Contribution) arrangement. The two methods of providing pensions as far as they affect employees are as follows: Salary-related schemes: Benefits at normal retirement: These are predetermined under the rules of the scheme. Under a typical company scheme the pension at retirement would be a fraction (usually 1/60th or 1/80th) of salary at or near retirement for each year of service, up to the Inland Revenue maximum of 1/6th of final salary. Thus an employee in a 1/60th scheme with 30 years service would be entitled to a pension of 1/2 (20/60ths) of final salary. The amount paid to employees on pension can increase up to a maximum of the overall limit in the Retail Price Index. Many schemes have a guaranteed annual increase - usually 3 per cent - with higher increases at the discretion of the trustees. Some schemes have an excellent record of maintaining the real value of pensions. Others have tended to wait until the scheme had a massive surplus before raising them. Salary-related schemes invariably provide a spouse's pension of one-half the full pension on the death of the employee after retirement. Employees' retirement can convert part of their pension into a tax-free cash sum - the amount depends on length of service but the maximum is 1/4 times final earnings. Early retirement: The rules of the scheme set out the pension to be paid at early retirement, based on the years of service and salary at the time of retirement, less a penalty for the pension starting early. In many schemes this is known as the money purchase approach. With this scheme, contributions can be on a defined basis, or on an ad hoc payment system; or on a formula that will target towards a salary-related pension. The classic example of a money purchase scheme is the retirement annuity contract from a life company, which at present is available to self-employed and employees not in company pension schemes.

Investment performance by the pension fund goes to the employer, who also carries the risk of suffering from a poor performance. It is up to the employer whether a good investment return is shared with employees by improving benefits under the scheme. Money purchase schemes: These are straightforward in operation. The contributions paid are invested. On retirement, either early or normal age, the accumulated value of the invested contributions is used to buy a pension from a life company at the annuity rates prevailing at the time. However, behind the simple simplicity lies a host of complications. What contributions should be paid, where should they be invested and what type of annuity should be bought? The employee has no idea of the amount that will be provided in relation to his or her final salary. This will depend on the cash value of the fund accumulated and the level of annuity rates. The employee is thus in the market place. If he or she wants a spouse's pension it will have to be paid for; if the pension is to be protected against inflation, again this will have to be paid for and at present this protection is not cheap. Life companies do not give discretionary pension increases. The earlier you retire, the lower will be the full actuarial annuity for early retirement. However, under the new rules, employees will be able to take 25 per cent of the accumulated value as a tax-free cash sum. Death in service: The money purchase scheme provides the accumulated value of the fund. If the employee wants more benefit, he or she either has to persuade the employer to provide it, or the employee must pay for it. Changing jobs: Here a money purchase scheme comes into its own. The employee either leaves the accumulated value in the existing arrangement, where the fund will continue to grow, or transfers that value, possibly paying a penalty, to another pension arrangement.

Contributions: These are flexible, up to Inland Revenue limits. On company arrangements, contributions are likely to be pre-determined, but for individual arrangements, such as the new personal pensions, you can pay what you like above the minimum. Investments: There is a wide choice of investment media, ranging from gross deposits with a bank or building society to unit-trust investments in equity and property funds in the UK and overseas. With company schemes, the choice of investment is normally made by the employer, while with individual schemes the choice is the employee's. In either case, the employee has an advantage of good investment performance, but carries the investment risk himself. A collapse in the market could mean a cut in the pension if the underlying fund is still invested in equities just when the employee is about to retire. However, someone retiring when the market is high would do well. The underlying theme of money purchase schemes is that the benefits are unknown in advance. This does not necessarily mean investments will be poor - as suggested by many trade unions and some pension organisations - it does mean that, to secure an adequate pension from a money purchase arrangement, the employee and his employer, if it is a company arrangement, must pay an adequate contribution, and care over the investment must be all that most constantly review the plan.

BUSINESS EXPANSION SCHEME

Invest with the leader

Lazard Brothers has launched The Ninth Lazard Development Capital Fund, its final BES fund for the 1987/88 tax year. The Fund's investment policy and the tax concessions of the BES together provide an outstanding investment opportunity for higher rate taxpayers. Total funds raised by Lazard Brothers under the BES now exceed £30.7 million - the largest amount raised by any manager of approved BES funds - and investments have been made in 54 companies. In the last tax year, Lazard Brothers raised and invested £8.5 million under the BES, which represented more than 25 per cent of the total money raised through approved BES funds. To obtain further details of the Fund, please telephone Jane Lamont on 01-568-2721 or send her the coupon below.

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The application list will close on 8 February 1988 but may be closed earlier at the Manager's discretion.

This advertisement does not constitute an invitation to subscribe to the Fund; applications to subscribe will be accepted only on the basis of the terms and conditions set out in the Memorandum describing the Fund. Investment in unquoted companies carries higher risks as well as the chance of higher rewards.

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FINANCE & THE FAMILY

Alice Rawsthorn on the plight of abandoned pets at Battersea

Going to the dogs

The poor dog in life the first friend. The first to welcome, foremost to defend.



All in a good cause

FOR MOST Britons the weeks after Christmas are punctuated by the tedium of the return to work and the dismantling of seasonal decorations. For the staff of the Battersea Dogs Home in London, the end of the Christmas holiday heralds the busiest time of the year.

On every ordinary day of the year a hundred or so people arrive at the dogs' home in search of new dogs. In the days after Christmas that number swells to more than a thousand as people pack into the home hoping to find a pet among the hundreds of animals which have been discarded as unwanted Christmas presents.

Ironically in recent years, as the public has become better educated about the folly of buying pets as Christmas gifts, the number of dogs abandoned during the holiday period has diminished. The staff of the home are left to cope as best they can with the sudden surge of strays.

The Battersea Dogs Home has been part of London life for decades. It was founded in 1890 by Mrs Tealy, who took pity on the stray dogs left to wander the streets around her home in North London.

Mrs Tealy took the dogs into her home. But after ten years or so, when the house was bursting at the seams, she sought a permanent place in Battersea. Today the home accommodates 700 dogs on the same site in the shadow of Battersea Power Station, greeting passers-by with a crescendo of barking and the unmistakable whiff of hound.

The reason for the home is to offer a permanent place for dogs which have been lost or abandoned by their owners within the Greater London area.

Every day the police pick up dozens of strays on London streets. Some dogs are genuinely lost and many will be claimed by their owners during the day. The remainder, and those animals which have been dumped by people who are no longer willing or able to look after them, are left at the police station. Each evening Scotland Yard sends details of the abandoned animals to the home. It dispatches its "air-conditioned" animal ambulances to collect them. The ambulances collect more than 20,000 dogs a year.

By law the police must keep stray dogs for seven days, giving the owners time to claim them. After that, if the police are unable to find accommodation for the dogs, there is generally no alternative but to put them down.

By providing that accommodation, the Battersea Dogs Home ensures that the dogs need not be put down. It also offers a place for "long stay dogs" - those owned by people within Greater London who have to spend a long time in prison and hospital - at its country home outside Windsor.

Some of the dogs which arrive at the home are claimed by their owners - roughly 15 per cent return to their original homes. The rest remain at Battersea. Most will be sold.

The dogs sell for between £20 and £50 depending on their age and pedigree (or lack thereof). Each prospective purchaser is vetted to see whether they are able to give the dog the care it needs. The home checks to make sure that would-be owners will be able to exercise the animal adequately and will make proper provision for it when they go on holiday.

The proceeds from the sale of dogs make an important contribution to the home's running costs. It needs £1m a year to keep going: dog food alone costs more than £50,000. Some money comes from the police, as payment for taking care of the animals for the statutory seven-day period, and about a third of its income comes from public donations.

Given that the home is now overcrowded - most of the dogs share kennels - the manager, Bill Wadman Taylor, is eager to expand. Plans have been drawn up to build 200 extra kennels. The home is now considering whether to mount an appeal for the £750,000 needed to fund the expansion programme.

In theory, the home offers long term accommodation for its animals, but in practice, relatively few dogs live there for longer than a few weeks or months. Most are claimed, or sold. Any animals that become ill or vicious have to be put down. Some family pets, for example, are so traumatised by the experience of living within an institution that they become unmanageable.

Yet other dogs retain the institutional life. Blackie, for example, is a veteran of the home. He arrived a few years ago and was soon bought by a family. A few days later he returned, having "escaped" from his new owners and made his way back to the home. He stayed for a few more weeks, until another family bought him. Within a few days Blackie returned again. The Battersea Dogs Home admitted defeat. He has stayed there as a yard dog ever since.

FT-SE 100 Companies with prices as quoted in the December 10, 1987 issue of The Financial Times

1. Amrad Consumer Elec. (115)	51 Imperial Chemical (£10 1/2)
2. Allied Lyons (329 1/2)	52 Jaguar (275)
3. Argyll Group (178 1/2)	53 Ladbroke (314)
4. Assoc. British Foods (300)	54 Land Securities (440)
5. ASDA (159)	55 Legal & General (248)
6. BAA (90 1/2)	56 Lloyds Bank (233)
7. BAT Inds. (411)	57 MEPC (429 1/2)
8. BET (221 1/2)	58 Marks & Spencer (177)
9. BOC (378)	59 Maxwell Communications (206)
10. SPB Inds. (237 1/2)	60 Midland Bank (362)
11. BT (270)	61 Nat. West Bank (530)
12. Barclay's Bank (445)	62 Next (265)
13. Bass (78 1/2)	63 P & O (479)
14. Becham (129)	64 Pearson (535)
15. Blue Arrow (86)	65 Pilkington Bros. (197)
16. Blue Circle Inds. (304)	66 Plessey (137 1/2)
17. Boots (223)	67 Prudential Corp. (786)
18. British & Commonwealth (282)	68 Rascal Elec. (214 1/2)
19. British Aerospace (319)	69 Rank Organisation (511)
20. British Airways (136)	70 Rank Hovis (306)
21. British Gas (127)	71 Rankitt & Colman (748)
22. British Petroleum (250)	72 Redland (389 1/2)
23. British Telecom (206)	73 Reed (368)
24. Britoil (27 1/2)	74 Reulans (417)
25. Brunel (157)	75 Rio Tinto Zinc (323)
26. Burton (224)	76 Rolta Royce (105)
27. Cable & Wireless (315 1/2)	77 Rothmans (373 1/2)
28. Cadbury Schweppes (237)	78 Rowntree (400)
29. Coats Viscella (246)	79 Royal Bank Scotland (323)
30. Commercial Union (325)	80 Royal Insurance (373)
31. Consolidated Gold Fields (883)	81 Sainsbury (222 1/2)
32. Cookson Group (461)	82 Sears (148 1/2)
33. Courtauld (530 1/2)	83 Sedgwick (188)
34. Dea Corp. (160)	84 Shell Transport (385)
35. Dixons (207)	85 Smith & Nephew (135)
36. English China Clays (375)	86 Standard Chartered Bank (483)
37. Fisons (243)	87 Standard Tel. & Cables (210)
38. General Accident (788)	88 Stonehouse (240)
39. GEC (155)	89 Sun Alliance (770)
40. Glaxo Holdings (£10 1/2)	90 TSB (107)
41. Globe Invest. Trust (126)	91 Tarmac (208)
42. Granada (282)	92 Tesco (151)
43. Grand Metropolitan (403)	93 Thorn EM (552)
44. Great Universal Stores (£10 1/2)	94 Trafalgar House (288 1/2)
45. Guardian Royal Exchange (73)	95 Trusthouse Forte (198)
46. Guinness (274)	96 Unilever (460)
47. Hamerson Properties (440)	97 United Biscuits Hlgs (255)
48. Hanson Trust (121 1/2)	98 Wellcome (377)
49. Hawker Siddeley (410)	99 Whitbread & Co (9274)
50. Hillson (250)	100 Woodworth Hlgs (261)

John Edwards on a fine time to pit your wits against the experts

Investment without tears

THE STOCK market has started this year on an even more confused and uncertain note than usual. In the aftermath of Black Monday in October, no clear discernible trend has emerged and the pundits are cautious about making any firm predictions which might be made to look like nonsense the following day.

It is a time when the private investor has as good a chance as the professional in forecasting the likely trend in the market. The FT Readers Race, run in conjunction with the Great Investment Race, gives you the chance to match your skill with the professionals.

Like the nine teams of fund managers in the Great Investment Race, entrants in the Readers Race are given £55,000 (on paper) to invest and achieve the highest return by next December. You select five shares from the accompanying list of FT-SE 100 index stocks which you think will perform best in the next eleven months. You cannot, as in last year's race, put all the money into one share and hope for the best.

To provide a guide as to how your portfolio is performing throughout the year, the FT will publish quarterly reports on the Readers Race and give separate quarterly prizes. As a tie-breaker, and in order to qualify for the quarterly prizes, being donated by the Financial Times in its centenary year, you also have to estimate the FT-SE 100 index on four separate dates throughout the year.

However, the extra effort will bring extra reward. Apart from the quarterly prizes, Prudential/Holborn, sponsors of the Race, have doubled the top prize for

FT READERS (GREAT INVESTMENT) RACE

Portfolio of five shares chosen from FT-SE 100 under	Listed number of shares from FT-SE as shown in accompanying table			
Entry number (Do not use)	Estimate of FT-SE 100 Index at			
	March 31, 1988	June 30, 1988	Sept. 30, 1988	Dec. 9, 1988
Name	Address			



readers to \$5,000 of Holborn units of your choice.

The entrance fee remains unchanged at £10, which goes to charity. Charity Projects, organisers of the Race, do not deduct costs from contributions made, since they are entirely financed by sponsors. Your £10 is donated to charities helping young people who are homeless, disabled or have drink or drug abuse problems.

You can send as many entries as you like, as long as each is

accompanied by a cheque or postal order, which must be made out to Charity Projects. For each entry, put in your share selections in the top five boxes, using the numbers listed against each company shown in the accompanying table of the FT-SE 100 index shares as quoted in the December 10 issue of the FT.

In the four boxes below, put your estimates of the likely level of the FT-SE 100 index on the dates shown. Then put in your name and address and post the form and cheque to the Financial Times, Bracken House, Cannon Street, London EC4 4BY. Mark "Great Investment Race" on the outside of the envelope so it can easily be identified. Closing date for entries is January 31, but you can send your forms and cheques from now onwards.

Receipts, or acknowledgement of entries, unfortunately cannot be supplied. However, you can assume that once your cheque is cashed, the money has gone to Charity Projects and you are entered in the race. Charity Projects numbers all entries before sending them to WM Company, which is monitoring the race. The numbers and portfolios selected are put on computer, together with the Index estimates, so WM Company only knows the winning number, which is then matched with the record of names and addresses kept by Charity Projects.

So even if you are gloomy, or uncertain, about investing in the stock market itself at present, you can test your forecasting skill while contributing to charity and gaining a chance to win \$5,000 of the quarterly prizes.



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FTBI INVESTOR'S GUIDE TO THE STOCK MARKET
by Gordon Cunningham

The 'Big Bang' has brought changes that affect the strategy and market operations of private investors, both old hands and newcomers. Computerised investment trading and advice accelerate the need for D-Y research, knowledge, and skills to avoid becoming an institutional cog in robot-controlled operations. Completely revised and updated in the light of the 'Big Bang', this edition is the essential handbook for those who manage their personal capital and savings in the stock market. The author, Gordon Cunningham, a chartered accountant, draws on over 30 years' experience as an active investor, financial commentator and investment adviser to explain the workings of the stock market, and how to profit from it the D-Y way, as he has done successfully.

For the new or potential investor, it provides an invaluable introduction to the practices and procedures of the market; how to set up and manage an investment portfolio and how to make the best use of your capital.

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FINANCE & THE FAMILY

A heated dispute

I have been in dispute with the developer/builder of my flat over the past few months on several points.

Since completing the purchase of the flat in December last the central heating boiler has been capable only of providing hot water to taps, with the central heating inoperable. The boiler is also supposed to cope with two bathrooms, which it is incapable of doing.

I assume that the one-year warranty expired in mid-year, a year from its original installation. The flat was then used by the builders as the site office until shortly before the completion. Notwithstanding that the actual warranty may have expired, is the developer still liable to make good to me any expense incurred in rectifying the faults of the boiler during one year from my acquisition?

There also seems to be an inordinate amount of noise to be heard from the flat immediately above eg footsteps, doors closing and some conversation. Are there regulations governing sound and other insulation in developments such as the one I occupy, which is in a mid-1990's warehouse converted into flats, and if so what does it ensure that they are complied with?

We think that you can pursue a claim against the builder for failing to supply a boiler which is fit for the purpose for which it is required, notwithstanding the expiry of any warranty or defects liability period.

As to noise, or want of sound insulation, it is unlikely that there is a failure to comply with prescribed standards, but you should enquire of the planning and environmental sections of your London Borough Council to ascertain if any stipulations as to noise have been imposed and not complied with.

Gifts for children

My mother, who is now 81, has been trying to reduce her estate with inheritance tax in mind. Over the last three years she has paid a total of £9,000 into three holding trust accounts for the benefit of her three grandchildren, now aged 23, 21 and 20.

She took advice from the local building society agent and put the money into trustee accounts in her name. The grandchildren cannot draw the money as my mother

has to sign. Any interest earned from the accounts she intends to put on her tax return.

I am increasingly concerned that the Revenue could challenge these gifts, as in my opinion, my mother, who retained an interest in the money and therefore the gifts will not be valid and will have to be included in her estate when she dies. She has taken the matter up with the agent who advised her and he says it will be valid. However, I would appreciate your opinion. If the gifts are not valid, would you have any suggestion as to how to remedy the situation?

The grandchildren are all adults, and consequently your mother should have her name removed from the accounts immediately. The money will then vest in each of them absolutely and they can do what they like with it. That is what is meant by a gift (except where the recipient is under 18 or mentally incapacitated).

Part-time problems

I retired in September 1982 aged 70 and my wife and I both received our delayed state retirement pensions. The P45 was sent to the local tax office with a letter advising that I had retired but that I may take part-time work now and again. I received no reply or acknowledgement.

Some weeks later I received a letter from my original tax office saying that it understood that I had commenced business on my own account, and would I give details. I replied that they were mistaken as I had no intention of commencing business, but I may take on part-time work as and when required and wished. I also advised them that the P45 issued by my late employer had been sent to the local tax office, and gave the district and address.

To this day I have had no communication from either office. I even wrote to the local office in 1984 advising that I had not had a reply nor received a tax return form.

I have been doing some part-time work and most of my state pensions have accumulated in a high-rate interest holding society account.

At the end of September I visited the local tax office and tried to explain the position. The person who interviewed me was very polite

and tried to offer explanations. I.e. "another office should have sent me a form" or "probably I did not have a tax liability," etc. I explained that my total income from all sources was probably in excess of all allowances.

Eventually a check was made and it was seen that I was not on their list. A tax return form for 1986-87 was handed to me, but no further information was requested, i.e. my previous tax office and reference, etc. I completed the return a few days later but to date have had no communication.

Please advise me on my position, as I have no wish to be penalised for any outstanding tax which may have been due.

We suggest that you write to the district inspector at each of the two tax offices (send the top copy to one and the other to the other) along the following lines:

"In accordance with section 205(2) of the Income and Corporation Taxes Act 1970, I require you to make a schedule E assessment for 1982-83. My P45 in respect of my former employment with ... was submitted to your tax office on or about ... 1982, but subsequent letters have been wilfully or negligently ignored. Please let me know the address of the regional office to which I should submit a formal complaint of maladministration. This letter is being sent to your colleague at ... District, under reference ..."

If by chance you get no response within a reasonable time, please come back to us (with a note of the addresses of the two tax offices in question).

Back-tax demand

I have just been given notice of assessment for higher rate tax liability for the years 1984/85, 1986/86 and 1986/87 with an apology for not informing me before of the assessment for 1984/85 and 1985/86.

Do the tax authorities have the right to demand back payment for these years?

Yes, Parliament has given tax inspectors six years in which to get around to making tax assessments, generally speaking. Ask your tax office for details of the current version of extra-statutory concession A19 (Arrears of tax arising through official error), although it seems unlikely to give you any comfort, unfortunately.



No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All replies will be answered by post as soon as possible.

Inherited values

Please put me out of my misery! I have a question regarding the valuation of shares for inheritance tax. The deceased died just before the recent share price collapse. Share valuation for granting of probate is based on prices ruling on the day of death.

Must the final reckoning of inheritance tax be based on the above only, or on the market value as realised when the shares are sold (or transferred to a legatee), provided this occurs within one year of death?

Inheritance tax liability is to be calculated on the value as at the date of death. A transfer after a fall in the market will avoid capital gains tax.

Untimely delay

I purchased 1200 shares in British Gas on privatisation, of which I have the certificates. On June 30 1987 I decided to increase my holding to 3000, so I instructed my bank to purchase 1800 shares (of which I received the contract note) for settlement July 20 1987, the cost being debited to my account on July 21 1987. At the time of settlement the letter is still out in receipt of the share certificate for these 1800 shares.

I received the dividend voucher early in October 1987, but noted a discrepancy in my share certificate for the 1800 shares. At my bank's request I returned the dividend voucher to them to sort out this discrepancy.

I have heard that Big Bang can affect and delay the transfer of shares certified and would like to know if this three months delay is usual.

The delay is longer than it should have been. If the bank does not procure the regularisation of the position promptly you will be obliged to make enquiries of the surveillance section of the London Stock Exchange.

Donald Elkin on how to smooth a move abroad

Tax-free foreign fields

IF LIKE many Britons, retirement will be the signal for you to implement long-held plans to move permanently overseas, do not be misled into thinking you will escape the taxman.

You will undoubtedly have pondered at length the relative advantages of a more amenable climate or living close to friends or family, compared with the loss of access to the British countryside and stately homes, the theatre, Test matches or whatever it is that represents for you the essence of Britain.

On a more mundane level, relief from the demands of the Inland Revenue may also have entered your calculations. These cannot be left behind by the simple expedient of flying away.

The harsh fact is that escape from the taxman is rarely total, never instant and very much dependent on the efficacy of the arrangements you make. Foremost among your plans should be the achievement of non-resident (and not ordinarily resident) status in Britain, a step which will necessitate proving to the Inland Revenue that your departure really is permanent.

The sale of your home in Britain and the purchase of one abroad, for example, would certainly be evidence enough and would result in the application of the new non-resident status from the day following your departure from Britain. Failure to satisfy the Inland Revenue in this respect would result in deferment of their decision until the elapse of three years when, if all was well, the change would be agreed retrospectively.

But in either case, a non-resident treatment is conditional upon ensuring that your UK visits exceed neither six months in a tax year nor three months on a rolling four-year average. Furthermore, if you do maintain an accommodation for your use in Britain, a single day's visit will make you resident for the whole of the tax year concerned.

Immediately the change of status is agreed you will cease to be liable to British income tax on all income arising overseas and some UK source income too. Thus, interest on certain British Government securities can be received without liability, as may former colonial Civil Service pensions (even though payable by the British Government) and some commercial pensions too if very largely earned overseas.

Double taxation treaties may exempt such things as interest, annuities and non-governmental pensions. The tax treatment of British interest paid gross and



state pension causes much difficulty. Strictly it remains fully taxable even when you are resident overseas. But, in practice, there are only three circumstances in which the Revenue will make any attempt to collect the tax: First, if you have an agent in the UK through whom you can be assessed; second, by reducing or eliminating any relief from tax which you may claim; and, third, in the split tax year of your departure.

However, the majority of UK source income remains fully taxable and to make matters worse, (as also could the tax rules in your adopted country). Thus, apart from UK government securities, British income and inheritance tax considerations both point to the conclusion that your major investment exposure should be outside the UK. However, this need not mean dealing in unfamiliar overseas markets.

quently, disposing of all British assets before departure and while still within the Capital Gains Tax charge, might be entirely the wrong thing to do.

In sharp contrast, mere non-residence will do nothing to mitigate your Inheritance Tax liability, domicile being the important factor in this case. While domiciled in Britain your liability extends to assets worldwide. Abandonment of a domicile overseas limits the liability to your purely British resources (even then there are some exceptions such as designated issues of British Government securities).

Since domicile is determined according to the country where you live permanently or indefinitely, emigration normally results in the acquisition of a domicile of choice overseas. Even so, the worldwide charge to Inheritance Tax usually continues until you have been non-resident in Britain for three complete tax years.

Inevitably, these changes will have an important impact on your investment arrangements (as also could the tax rules in your adopted country). Thus, apart from UK government securities, British income and inheritance tax considerations both point to the conclusion that your major investment exposure should be outside the UK. However, this need not mean dealing in unfamiliar overseas markets.



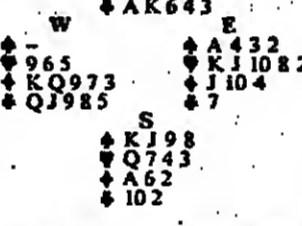
investment via the Channel Islands or the Isle of Man is entirely satisfactory for this purpose.

Retirement abroad may also affect your testamentary arrangements since, generally speaking, your principal will be made in the country of your domicile, although one country might suffice. That would depend upon the law of your adopted country which might, even so, continue to exert an important influence on the devolution of your estate. Clearly, these are matters which require early investigation if later difficulties are to be avoided.

Donald Elkin is a Director of Wilfred T Fry of Worthing.

BRIDGE

BOTH EXAMPLE hands today caused some problems for the declarers. Let us see how they tried to solve them - we start with rubber bridge:

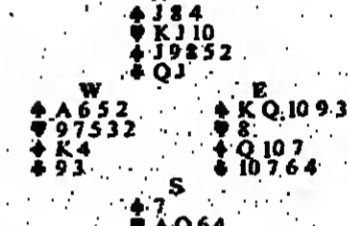


With both sides vulnerable North dealt and opened the bidding with a club. East overcalled with one heart. South bid one spade, and West said two diamonds. North now made a cue-bid of two hearts. East raised to three diamonds. South passed. West pushed on with four diamonds, and North's bid of four spades concluded the auction.

club. Now he ruffed a heart on the table, and played the club ace. East could ruff or discard, but the only trick for the defence was the ace of spades.

Well reasoned, and excellently played. Note that if the declarer attempts to cash a second club honour, East will ruff and play ace and another spade. And that defeats the contract by one trick.

We turn to teams-of-four:



With North-South game, South dealt and bid one club. North replied with one diamond and South rebid one heart. After some thought North raised to

two hearts, which is probably best, and South with his powerful hand went on to four.

West led the spade ace, East dropped an encouraging 10, and a second spade ran to East's nine. South, suspecting that the trumps might be divided 4-3, decided to throw a diamond, and on the next spade throw his other diamond loser. Winning the diamond switch, he cashed dummy's two club honours, and followed with king and knave of hearts. When East showed out on the second trump, lead the declarer was faced with defeat.

South's play would have worked with a 4-2 break of trumps for the declarer's safety play technique was excellent and the 5-1 division of trumps was heavy odds against. If South had ruffed the second spade, cashed the two clubs in dummy then drawn trumps and found himself defeated because of their 4-2 division, he could have been criticised severely for bad play.

E.P.C. Cotter

CHESS

A CHESS rule of thumb that novices find hard to grasp is that decisive checkmate attacks against the opponent's king - that is, purely tactical play - normally requires a strategic, non-tactical build-up as a prerequisite for success.

The attacker needs a firm base to his assault such as a fixed pawn formation, control of central squares to support knight or rook outposts, and command of more space. Above all, he needs to reduce the risk of timely counter-strikes in the centre or against his own king.

This obligatory fusion of strategy and tactics explains why the greatest masters have had to be universal players even for a particular checkmate attack.

There is a fine line between those with pragmatic flexibility and others who are over-committed to their own favourite approach.

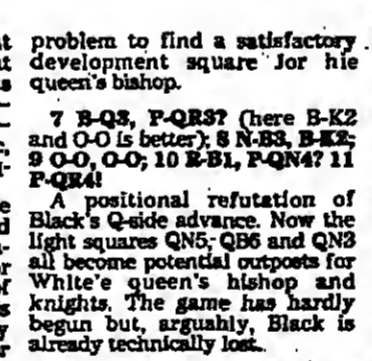
So, defensive experts often get into a rut in their in-depth formation which is ready to jump into positive action once the attacking side becomes over-committed. One favourite defensive speciality is the hedgehog formation where Black lines up central and queen's side pawns on a knight outpost at Q4 or Q4, then manoeuvres his queen and rooks ready to break with P-P4 once White is extended fully on the king's side attack. Mismatched, this plan can lead to a totally passive game, with the crumpled defensive forces unable to switch flanks in time.

Khalil this sounds reminiscent of military strategy, it reflects a symbolic warfare element fundamental to chess. Anatoly Karpov's view is that the war and sport parallels outweigh others, whereas Gary Kasparov - at least before the tedious match in Seville - considered the chess master as significantly an entertainer, trying to create attractive and elegant victories which a wider public could enjoy.

Arguably, therefore, the ideal contest should be a fusion of the two philosophies: chess as logical and clear-cut war, and chess with an artistic touch. That is what happens in this week's game, where White methodically drives his rook men into crumpled queen's side corner, then switches direction towards the castled king. His strategic plan is classic and lucid but the finish is brilliantly improvised - an original way to sacrifice rook and bishop for mate.

White: V. Gavrilov, Black: A. Panthenko. Queen's Gambit Declined (Leningrad 1984).

PROBLEM NO. 706



BLACK (MATE)
1... QxP ch, K-R1; 2... Q-B3 ch, K-R1; 3... QxR ch, K-R1; 4... Q-B3 ch, K-R1; 5... QxR ch, K-R1; 6... Q-B3 ch, K-R1; 7... QxR ch, K-R1; 8... Q-B3 ch, K-R1; 9... QxR ch, K-R1; 10... Q-B3 ch, K-R1; 11... QxR ch, K-R1; 12... Q-B3 ch, K-R1; 13... QxR ch, K-R1; 14... Q-B3 ch, K-R1; 15... QxR ch, K-R1; 16... Q-B3 ch, K-R1; 17... QxR ch, K-R1; 18... Q-B3 ch, K-R1; 19... QxR ch, K-R1; 20... Q-B3 ch, K-R1; 21... QxR ch, K-R1; 22... Q-B3 ch, K-R1; 23... QxR ch, K-R1; 24... Q-B3 ch, K-R1; 25... QxR ch, K-R1; 26... Q-B3 ch, K-R1; 27... QxR ch, K-R1; 28... Q-B3 ch, K-R1; 29... QxR ch, K-R1; 30... Q-B3 ch, K-R1; 31... QxR ch, K-R1; 32... Q-B3 ch, K-R1; 33... QxR ch, K-R1; 34... Q-B3 ch, K-R1; 35... QxR ch, K-R1; 36... Q-B3 ch, K-R1; 37... QxR ch, K-R1; 38... Q-B3 ch, K-R1; 39... QxR ch, K-R1; 40... Q-B3 ch, K-R1; 41... QxR ch, K-R1; 42... Q-B3 ch, K-R1; 43... QxR ch, K-R1; 44... Q-B3 ch, K-R1; 45... QxR ch, K-R1; 46... Q-B3 ch, K-R1; 47... QxR ch, K-R1; 48... Q-B3 ch, K-R1; 49... 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TRAVEL · MOTORING ·

Roger Beard reconsiders the racy reputation of Marseilles From red light to respectable

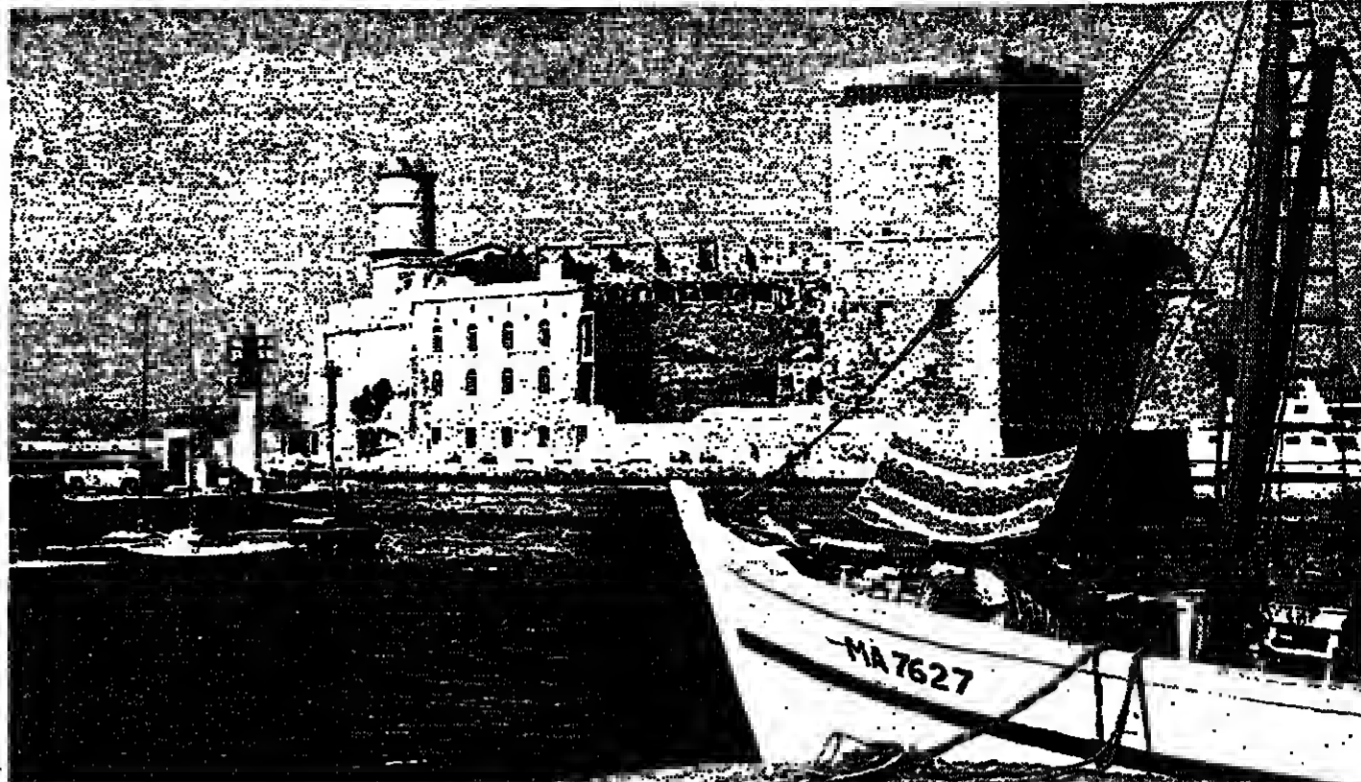
MARSEILLES must be one of the few towns in France without a street named after Woodrow Wilson, and probably the only one with an avenue dedicated to William Booth, the Salvationist. It is that sort of town, the sort of town to the point of eccentricity and not at all what you expect.



Weekend Break

Historically the town that always got it wrong, it backed Pompey against Caesar, the Revolutions against the Revolutionaries, the Empire and, when the monarchy was restored, pro-Empire. The power house of the Resistance during the occupation, today Marseilles is where Jean-Marie Le Pen goes to raise the standard of the far right.

firmly in the mercantile respectability of the 18th century. It is Liverpool before the planners got at it - grand, civic, slightly seedy, but set in the blazing sun of the Midi and eating in France - not all of which is bouillabaisse. That alone makes it an ideal choice for a weekend, if not a week, provided you plan carefully.



Fort St. Jean at the entrance to the Old Port of Marseilles

of the sea, which can be as rough and grey as Biscay, but as you turn up to the Notre Dame de la Garde Basilica you will get a view over Old Marseilles that is well worth the 500ft climb.

then to the American War of Independence, then to the Duke of Angouleme before they gave up. It now carries the comparatively safe dedication to 'service to the country.'

"VERY well organised," says one satisfied customer cited in Prospect Tours' 1988 brochure. "The public transport was good, and the coach trips very scenic and enjoyable." The name appended to this modest poem comes as something of a shock: Piero della Francesca.

Annalena McAfee on trips to cultivate your mind, not your suntan Holidays for high-brows

explore the work of a single great artist. Among the other trips offered is a 10-day tour of The Land of the Teutonic Knights - a look at medieval architecture in northern Poland. The highlights include Toruń castle, the remote Chelmska Cathedral, moatless of the fortified cathedral of Kwidzyn and the Knight's Great Watermill in Gdansk.

opera lovers was a visit to Laxor to see a production of Verdi's Aida. Pegasus offers open packages, combining, say, Verona, Macerata and Torre del Lago in a 12-night package taking in seven operas and including brief sight-seeing forays into Venice, Assisi and Lucca.

Mediterranean, the Aegean, the Black Sea and the Red Sea between March and November. Their 1988 brochure promises the prospect of cruising through the Corinth Canal listening to an on-deck lecture on the way.



Fiat's odd-looking Ritmo hatchback replaces the Strada A backward glance

BEFORE LOOKING at some forthcoming motoring highlights of 1988 it is worth taking a backward glance at the old year, a year dominated by the Japanese industry, from whose research departments and assembly lines innovative ideas and products poured in an endless stream.

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PICK OF THE BEST ACCESSORIES

THREE OF the best accessories to appear last year were an interior mirror, a battery cut out to reduce fire risk after a crash and a traction aid for snow driving.

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John Brennan on how to insure your holiday home against hazards both natural and man-made

Policies for a place in the sun

THE OWNER of a holiday farmhouse in southern Italy could never pin down where the Lira equivalent of just under £2 a month went to. It was not an enormous expense and it was collected politely by a gentleman from the village - who smiled and nodded with studious incomprehension anything beyond discussion of the weather and the olive crop - a few days after the owner arrived each summer, just as it had been from the previous owners, and from the ones before them.

After a little investigation and a few discreet conversations with other foreign owners in the area, the British owner decided diplomatically to waive his investigations. What he did discover was that the money ensured that the local tearaways gave the farmhouse a wide berth. He was also informally assured that any visiting thieves would be made aware of the unnervingly homicidal extent of shotgun ownership in the village.

This local Italian solution to holiday property insurance is not specifically covered in the maze of clauses and sub-clauses that form part of the programme to harmonise financial services within the European Community. And while, in theory, we will all be able to insure anything anywhere within the Community by 1992, Ladbroke's would be ill-advised to take bets on a gentleman from the Prudential ousting the local representative of the Mafia when it comes to isolated homes abroad. The market is too fragmented for there to be a stampede of major insurers keen to offer EEC-wide cover for individual holiday home owners.

"We are certainly willing to insure most flats and houses, subject to standard conditions, in all countries where we have offices and agencies. If someone contacts us about a property abroad in an area where we do not have a local office, we would put them on to a local insurance company which was able to provide the cover they want."

Therefore, the proposed ending of national barriers within the EEC to all forms of insurance cover will not necessarily mean that you will be able to add a "foreign home" section to your existing UK household insurance policy. It should, however, end the grey area of providing British insurance policies for British-owned properties abroad.

At the moment, most EEC countries technically require properties within their borders to be insured locally, otherwise any claims involving their nationals might have to be dealt with under another country's legal system. That is one of the reasons why bigger British insurers handle foreign policy applications where they have their own local insurance operations, but pass-on overseas residential busi-

ness to their opposite numbers in countries where they are not represented. "We would normally recommend people to take out a local policy because UK ones could lead to problems," says Alan Roberts.

In France, the local Gendarmerie has to be shown the insurance cover papers for a property before title can be transferred to a new owner. Diana Horner-Hill, a leading UK agent for French properties, explains that, in her experience, "most buyers either take out the insurance of the previous owner, or they have no problems getting insurance sorted out by the agent on the spot."

The Horner-Hill's own holiday home, in the Dordogne, is locally insured, but Mrs Horner-Hill found that "they would not issue water damage cover because of the problems of burst water pipes in a property that is not occupied all year." Otherwise, French policies are pretty much the same as in Britain in providing fire, theft, flood and usual building risks. Premiums also are much the same, and French insurers weight the charges to cover high-priced contents left in

often unoccupied properties just as heavily as any British underwriter.

As Mrs Horner-Hill says, "It is less of a problem in country properties, although I do know of people who have had a lot of damage done, and there are examples of isolated properties being broken into and looted. But it is nothing like Cannes and Nice, where you cannot take a decent car into the town without having the radio taken out. The French tend to barricade themselves in, but really it is common sense that owners should not leave a lot of valuables in an unoccupied property."

However, as Brian Sharp found out, getting insured locally is not always that easy. Sharp's Insurance Brokerage had been offering cover specifically tailored for second-home owners with properties in Britain for years when a holiday in Spain provided the reason for setting up an international version of that policy. "I met a number of people in Marbella that I had known before, when I was insuring their holiday properties in Britain. They were all fed up with trying to make sense of Spanish insurance

policies, and on the plane back I worked out the basis of a policy in English," he says. "It paid for the holiday."

Four years later about 1,500 insurance brokers including a number of the major City groups - put their clients into Sharp's Holiday Homes Insurance (Overseas), which is a comprehensive policy underwritten by FT subsidiary Excess Insurance, with a separate Legal Liability policy underwritten by the Dutch insurers Aegon. There is an upper limit of £250,000 cover, otherwise the only thing Sharp stays away from covering are beach huts.

"We're really not that interested in the big gin palaces full of £100,000 worth of furnishings and equipment. I'm looking at the average property; a building worth £40,000 to £50,000 with perhaps £5,000 worth of contents. If someone wants to take their gold and jewellery with them then frankly they're better off extending their UK contents policies."

These policies accept that holiday homes are rented out or informally used by people other than the policy holders. They

cover such things as water damage as long as normal precautions are taken when the property is unoccupied. Like its competitor UK policies contracted in Britain and payable in sterling for overseas properties - most of which are underwritten by Lloyd's syndicates - Holiday Homes Insurance falls outside the rules about local policies for local properties. But even with the French police checks Sharp says that "we have never had a policy refused by them. Normally we expect to probably wish British nationals who are policy holders. But we would advise people who are resident abroad to insure locally."

Oddly enough, Sharp finds that as many as 20 per cent of the people who take out property insurance through his scheme decide to leave out the optional legal liability cover. It is odd because the kind of cross one might run into on a public liability claim would make most house structure and contents claims look insignificant in comparison. Sharp presently has a case which may rank as the sun-belt equivalent of that case of a state falling off the roof onto a passer-by. In its Costa del Sol version, the claim involves an owner being sued by a visitor whose finger got caught in a deckchair that might - or might not - be deemed to have been faulty.

The appeal of getting a British policy covering the risks involved in owning a home abroad has not been lost on the Abbey National Building Society. If the simplicity of a British policy paid for in sterling can attract the customers, what about a straightforward British home loan as well? Since the Building Societies Act has permitted UK societies to operate since British property from January 1 1988, the New Year sees the start of the Abbey National's drive into Spain with the opening of an office on Gibraltar.

Having tested the domestic Spanish market with the launch last October of Abbeycor Nacional Hipotecario - its home finance company for Spanish nationals - set up jointly with Spain's CoGroup and Winterthur-Swiss Insurance - Abbey National is now to provide a one-stop mortgage and insurance package for people thinking of buying along the Spanish coast.

It is unlikely that those Italian freelance insurance collectors with their shotguns will be mindfully concerned about news that the money from Baker Street have landed on the Rock. But the Abbey's move is just the latest in the steady, albeit painfully slow, progress towards breaking down the commercial and cultural barriers to the free transfer of properties within the EEC.



Hampton Village, west along the river from Teddington and within constant earshot of Heathrow, has a dozen centuries of development to confound anyone looking for architectural consistency. When Shakespearean actor David Garraway lived in Hampton in the 17th century his own home, the twin gabled Dutch-style Old Grange, was a modern rebuilding of an earlier Tudor house. The bakehouse of that Tudor property remains within the Grade II listed town house which Elizabeth House Auctioneers, Colnege-Perce, Teddington Branch (01-977-0102) now has on offer for £450,000 freehold.

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DIVERSIONS



Flight of fancy

NOT FOR 12 years has there been such a superb Christmas break for gardening. The weather has left me with a new long border, most of the ground turned over and a newly-built flight of steps. It has also left me with clear resolution for the New Year - not least for the steps.



Gardening

into the soil. Plants do not eat; they drink, and the beauty of bone meal is that it breaks down gradually and is not a quick snort which promptly requires another. The quick-acting cocktails can wait until April, when I will use my own mix of seven parts nitrogen, seven parts potash, five parts phosphate, each bought in bulk, but they are cheaper than in "balanced" brands. The right rule of thumb is seven parts of each component, but I do not wish to over-phosphate on top of the bone meal.

Antony Thorncroft looks at reasons for the apparent generosity of auction houses

When poachers turn gamekeepers

THIS IS the time of the year when the poachers turn gamekeepers. The sound of the auctioneers' gavel is silent in the land, or rather in London, WI, and both Sotheby's and Christie's give their grandest rooms to displays of art and artifacts which have been assembled to raise money for charity, or for the general good of the art world.



Philip de Lazzolo's Princess Elizabeth in the Childhood display

have fetched that price at auction. Christie's, as well as gaining goodwill from the deal, was also collecting the normal 5 per cent commission on such transactions. Often an owner will sell one work at auction while picking up a tax benefit on another. To settle the tax owed on a Bottegelli sold as Christie's the vendors raised \$467,500 last year by negotiating for a portrait of a man, by Rogier van der Weyden, to go to the Comrauld. Private treaty sales ensure that important treasures stay in this country but they are used by the salerooms to assuage their image, to earn useful fees and, through trade offs, to secure for auction works of art that might otherwise be the cause of controversy.

Warriors in retreat

Susan Moore finds a lot to be desired at an over-hyped exhibition

THE EMPEROR'S warriors are rather like the Emperor's New Clothes - there is less to see than might be expected. When the 2,000-year-old mausoleum of China's first emperor was excavated at Mount Li, near Xian, in 1974-77, some 7,500 life-size terracotta warriors were unearthed.



An unarmoured infantryman, part of the London exhibition of the terracotta army

armour (probably iron mail), riveted and all. Of the figures here, by far the most accomplished are the two elaborately posed kneeling cross-bowmen. The potter-sculptors depict horizontally folding drapery, knotted scarves worn to prevent chafing, even the tread on the warrior's boots. Hands and elaborate coiffure are subtly modelled. Traces of bright colour also survive on tunic, trousers and hair ribbon.

Jonathan Sale on a new paper for young readers

Tabloid bedtime stories

A NEW national paper is launched on Wednesday, a quality, family-sized tabloid which every circulation manager thought could not be reached: readers for whom no newspaper now caters. They are likely to be from relatively prosperous backgrounds and will have a disposable income of as much as several pounds a week. Most nationals worry about their ageing readers; this one will guarantee a young readership profile.

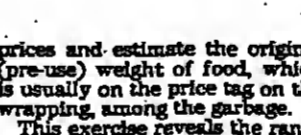


Dr Barry Weightman, now chairman and managing director, was a lecturer in mechanical engineering - he is now on leave from Imperial College, London - when his eldest child accidentally put the idea into his mind.

Brilliant ideas by themselves will not produce a return on that \$100,000 investment. There is no profit in *Early Times* organising a problem page (Dear Jo, All my friends have more pocket money than me.) or the Spot-the-Blooper competition (find the deliberate spelling mistakes and win a fiver), if the sums don't add up. A paper for the clever, the well-read and the well-off will assume advertising agencies that it will deliver to them, say, 67 per cent of all owners of garden sheds living in the Home Counties.

Archaeologists uncover throwaway facts

ARE YOUR dustbins bursting with ripped wrapping paper, bottles, turkey bones and other detritus of modern living? If they are, spare a thought for the historical value of what you throw away. There is nothing like dustbins to reveal who you are and how you live. The Garbage Project has shown.



Gerald Cadogan takes a rummage through the economics of garbage

How different from 19th-century trash dumps in Mexico which no bottle reached until it was broken, and all bottles were abraded from constant re-use. We are haphazard now in seeing the pressure of poverty, we do not make cottage loaf-sized briquettes of cow dung for winter fuel, as they do in the East. But I am sure we could adapt and take our shovels to the fields, if it came to the pinch.

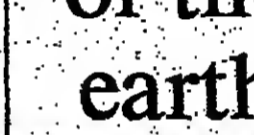
Advertisement for 'SKIN IN THE USA' by Continental Airlines Tours, featuring a map of the USA and travel information.

Advertisement for 'HOW ARE YOUR LIQUID ASSETS' by a financial services firm, offering investment advice.

Advertisement for 'Art Galleries' listing various art exhibitions and galleries.

Advertisement for 'Clubs' listing various social and sports clubs.

Fruits of the earth



DESPATCHES - Abidjan

THIS HAS been an afternoon of... Having finally moved into new premises after years of ground floor living in Europe it strikes me as odd to be installed in a high rise complex in Equatorial Africa. I went out to buy some food. It wasn't quite the kind of market I expected. There is a long line of stalls, but it was quite exciting - my first foray into the unknown interior of downtown Abidjan.

As an elite which since independence has retained enormous influence over Ivorian industry, commerce, education and even government, the French and Joneses with whom the rest of Abidjan must keep up. The French stick very much to themselves socially, while black Abidjan culture is French culture with a soupçon of local spices thrown in. Middle class Africans read French newspapers, and watch French television reruns.

Large advertisement on the right edge of the page, possibly for a travel agency or similar service.

DIVERSIONS

George Davies overturns the image of catalogue shopping
The Next revolution starts right here in the home

WELL, ENJOYED your Christmas shopping did you? Loved the crowds, the pushing, the overheated shops, the scramble for the only free parking place on the block, the struggle home laden like a packhorse? Yes, I thought so. Just at the moment you don't really care if you never see another shop. But how would you feel if you could do a quick flip around a rather attractive shop while sitting easily at home? If you knew that when you took a fancy to something you could just lift the phone, find out immediately if it was in stock and have it delivered to your home within 48 hours at a time convenient to you? Yes, wouldn't that be lovely, I hear you say, but who could possibly offer to do all that? George Davies of Next fame, that's who. His long-heralded mail order rev-



A navy and cream print viscose skirt and jacket. The jacket (£29.99) features a small lozenge print echoed in a larger size in the three-quarter circle skirt (£32.99).

olution is actually here. From today you can start to order your very own directory which you can then flip through in the peace and quiet of your own armchair. A whole new Next collection is just a telephone call away. Whether it be some slinky newunderwear, a grey flannel suit for him, a matt black fluorescent lantern, a 'silver' bevel watch, a jazz ceramic vase or a three-seater sofa, all can be with you within 48 hours of placing your order. Yes, I know, I know. There's been talk of a great new revolution in mail order before and as revolutions went most of them turned out to be more like a little bit of local disturbance.

They did, it is true, offer some worthwhile improvements. Today almost all of the mail order companies offer direct telephone ordering and payment by credit card. The oldest-style down-market concept of an agent selling to her friends who then pay by instalment has gone forever. Shopping by mail has moved up in the world. It is no longer the down-at-the-heels extended credit to whom new mail order companies appeal. It is the young aspirant couple with plenty of income but little in the way of time who they're after. George Davies has long felt that though mail order has adapted a little, it hasn't moved anything like fast enough.

I decided to try and take this traditional form of shopping which had been mainly devised to cater for the needs of the working classes (it offered them what are always called the three Cs - credit, convenience and commission) and see how I could bring it into the 1980s. On the whole mail order companies are essentially doing a worse job than they did before the war. Did you know that they used, for instance, always to have swatches of fabric so people could see and handle it before they bought? It's been part of conventional mail order thinking that a return rate of between 30 per cent and 40 per cent was inevitable, just

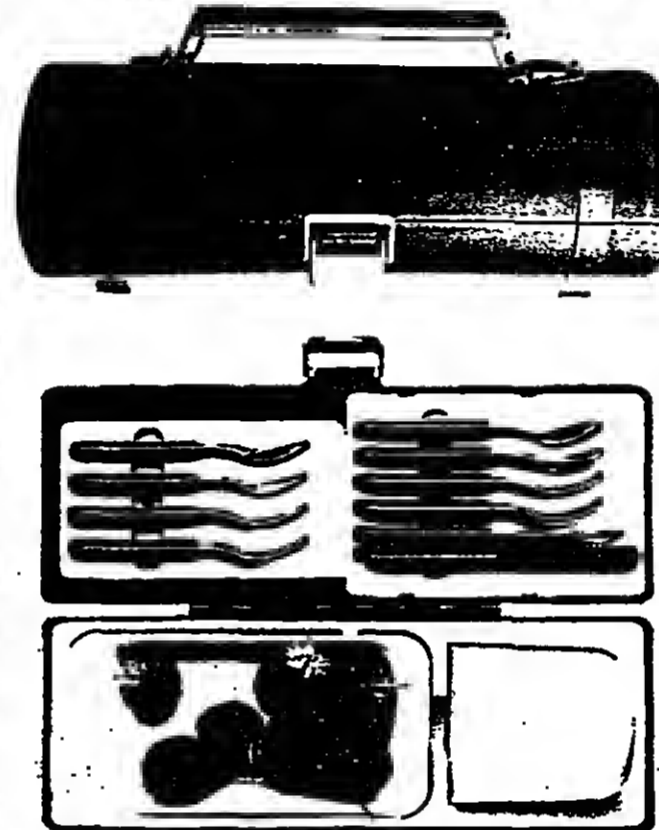
something that they had to put up with. But somebody has to pay for the returns and it means the margins are high for poor quality goods. I worked out that for every 1 per cent reduction in the rate of returns we could put £1m on the profits. The way to cut returns was to improve the merchandise and to give better information about the merchandise. Conventionally, mail order companies have concentrated on improving the systems but not the quality of the merchandise. I decided that quality was to be everything and I am aiming to get returns down to less than 15 per cent. One of the ways of giving better value is by cutting out a whole profit level - the wholesaler. If you buy something for, say, £15 from a mail order house, the value will be about £5. With us, because our own factories make most of the things we sell, the value will be about £5. Fundamentally there is lots wrong with the way mail order companies usually operate. There is much too little personal contact - once the order has been made you just have to sit back and wait 28 days. Sometimes you can wait for a couple of weeks before being told it is out of stock. Then, even more fundamentally, the quality of the goods just isn't high enough. These days you have to compete in a very exciting market-place. There's no shortage of goods and standards are getting higher every day. Mail order has to move with the times. I felt these disadvantages had to be dealt with. I started with trying to make it more personal. The customer's first contact with the Next Directory (note even the terminology is to be changed - no catalogue for Next, but a directory instead) will be through the girl who answers the telephone. A new phone complex has been installed so no matter where in Britain customers phone from, they will only be charged for a local call. When they phone they will speak to somebody who knows the stock backwards, who will tell the customer there and then if it is in stock and, if it is, will arrange delivery at a time to suit the customer. Delivery times, like telephone times, are between 8am and 10pm seven days a week (YES, seven days a week). When the parcels are delivered that, too, will be quite different from what has gone before. A sprightly Next delivery person, in a bright red Next jumper will hand over the parcels personally - suits in hanging bags, other clothes on hangers instead of being crunched up in a brown paper bag. But it's not just the systems and the mechanics that George

Lucia van der Post

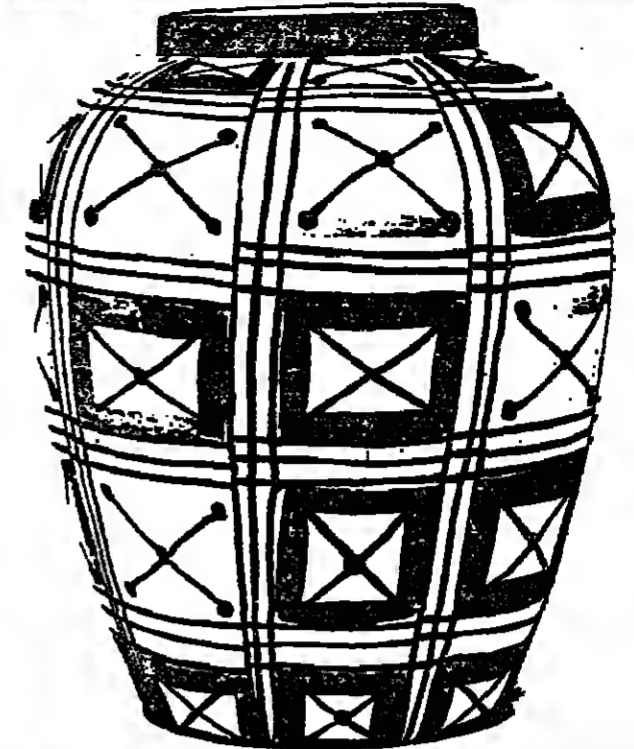


Davies has concentrated on - it's also the merchandise. 'We've concentrated terribly hard on quality, building on the reputation I believe that Next has for integrity and value for money. Almost all the clothing in the Directory will be quite separate from the collections in the shops, but a few basics each season will also be found in the shops. Accessories and the home interiors range will be a mixture of things new and things also available through the shops. In other words, if you like the Next formula in the shops, you are highly likely to take to the Next collection in the directory. Turn the pages and the look is

familiar, the clever mix of updated classics and youthful fun, the sober tailoring for men (plain grey flannel, Prince of Wales checks), the silky-soft teardresses for women (very Ralph Lauren). Then there are up-to-the-minute gleaming accessories for gadget freaks, the collectable ceramics, some absolutely smashing clothes for kids, sports equipment - but don't take my word for it, see for yourself. Note the trouble that has been taken to make the Directory easy to use - the sizing guide, the tape measure, the swatches of fabric for all the men's suits and some of the women's clothing. Directories can be ordered by telephoning 0345-100-500. You can ring today and should get your directory (by post) within a week. It will cost you £3, though George Davies reckons it has cost him about £15 a time. 'It has taken seven million swatches of fabric just to make certain customers can tell exactly what suit we are offering.' The £3 charge will be added to the first order. There will be a delivery charge of £2.50 per order. Once you've got your directory you're ready to go - you can wear on Saturday what you ordered mid-week. A revolution indeed!



Picnic the hi-tech way - a neat capsule holds plates, tumbler, spoons and forks for four, one knife and a bottle/can opener. £39.99



From the Interiors section - a large multi-coloured (orange, yellow, green, blue chequered) vase, 26cms high, £29.99

Eat fresh and eat foreign

NEW YEAR resolutions do not come naturally to this column. All year round I have sung of eating, drinking and being merry and there is no reason why, because it is 1988, I should suddenly hymn the virtues of abstinence and self-denial. Perhaps the FT ought to have a slimmers' column, but I am not offering myself for it. Mortifying the flesh is not the only kind of New Year resolution. If it's what you feel like this morning, OK. Go ahead and resolve to have a rotten time. However, let us suppose that you intend to lead the rest of your life not as a guilt-ridden ascetic but as a normal being, what resolutions shall we all make? Mainly, my resolutions seem to be about shopping. If you follow the modern habit and have a great big shop-in once a week, be clear what sacrifices and adjustments you and your family are going to make as a result. You don't need to buy everything everyday - and if you really care about the freshness of your leeks and potatoes and broccoli as you ought - you may find that the greengrocer or the supermarket offers you on Wednesday the same (somewhat diminished) pile that you picked your way through on Tuesday. If you can, oh fortunate reader, grow your own this problem will not arise, unless you are quite exceptionally idle and incompetent. But if you rely on home-grown produce, January is anyway going to be a bleak time for you. So, Resolution number 1, if I can't grow it I'll shop for it as often as possible. From which resolution number 2 grows by the dialectical process: stop feeling guilty and apologising for frozen vegetables. Using frozen vegetables may damn a restaurant in the eyes of the critics, but you are not a restaurant and this is 1988. Some vegetables freeze very well: for myself I find that commercially frozen broad beans are quite exceptionally good. Broad beans fresh from the pod rarely come the way of most of us anyway. Same thing with peas, talking of which, my greengrocer was selling fresh peas in the pod as Christmas from Zimbabwe or somewhere. Resolution number 3 is to cultivate my suppliers. It's no use trying to cultivate a supermarket: I see quite a lot of old ladies attempting to do so and I hope it's because they look to their shopping trip to provide a social occasion rather than because they want the best of everything put away for themselves. But you will find that, grumble though they may, most butchers



Food for thought

ere are for and they are (except for barrows) all on the telephone. It's particularly important in the matter of vegetables, because they are more seasonal than most other things and they tend to get recorded second-class status - we'll have some scallops to start with, followed by rack of lamb. Very nice, but what vegetables are there going to be and will the choice be made with your mind in the same groove in April as it was in December? Another resolution, talking of vegetables. Buy a steamer. I know people who steam all their vegetables - no boiling please, it loses all the vitamins into the water. Vitamins aside, it's the best way of ending up with vegetables on the plate which look just like they did when you bought them. I have only three other resolutions to propose and I shall state them boldly: sharpen all your knives - and keep them sharp. Go abroad as often as possible: the best eating in the world is a few kilometres away, in Belgium and Northern France, and just going there teaches you a lot. Go to restaurants to enjoy yourself and order what you want. Restaurants love the pleasure-lover and lay their gifts at the feet of the greedy. Encourage them and have a happy New Year. Peter Fort

Cookery/Philippa Davenport

An antidote to the feast

NOW THAT the festive season marathon is finally over you may feel, as I do, in need of a complete antidote to all that feasting. I no longer have the appetite for anything very substantial or formal. Instead of full-blown menus I long for something slight. I want to kick off my party shoes, to put my feet up and to relax by the fireside, instead of sitting straight-faced in the dining room. I love the idea of 'a little egg something on a tray', as Noel Coward used to say, or some other not-too-serious little culinary offering which can be conjured up quickly and served without fuss. A soothing broth made from the remains of the turkey would suit my fragile mood very well - such pure and easily assimilated light nourishment is just what the doctor ordered. It sharpens the broth with citrus and a few grains of rice for an Avogadomo effect. Or I might beat in a few egg and a little parmesan to make straciatella. Or perhaps add a pinch of tarragon and an egg-and-cream liaison to create an exceptionally light and delicate variation on cream of chicken soup. The other sort of food which appeals to me just now is the savoury - that most English of snacks, so agreeably pliant and just the right size to stimulate a jaded appetite without terrorising it. Savouries are still to be found in good old-fashioned gentlemen's clubs, but at home, sadly, they vanished from dinner menus along with the servants. It may no longer be practicable to serve savouries in their traditional place at the end of a formal dinner, but the facts that savouries are so quick and easy to cook, and must be eaten as soon as cooked, makes them perfect for informal occasions. I find them admirable as lunchtime food (after all most people today want a mini meal at midday, not a full scale affair), and a sparkling choice for light suppers. At lunchtime a savoury is often enough on its own. For supper you may want to precede it with a broth and to follow it with a small clean juicy bite of fresh fruit. Bear in mind too the virtue of hot savouries as bonnes bouches to serve before going out to the theatre - as elegant as they are delicious if carefully chosen and prettily presented on fruited rounds of fried or toasted bread. Scotch woodcock is probably the easiest of all savouries. How I wonder did it get its name? Sometimes I spread the toast with tapenade instead of anchovy butter, and garnish the scrambled eggs

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BOOKS

Robin Lane Fox on The Golden Bough era

Cambridge to Nemi

J. G. FRAZER: HIS LIFE AND WORK by Robert Ackerman. Cambridge 535.00, 348 pages

THIS INTELLECTUAL biography is outstandingly good and I have read it with great pleasure. Nothing very dramatic happened in J.G. Frazer's life, but his famous work, *The Golden Bough*, is so remarkable that its origin, nature and frequent revision are enough to sustain the story. Robert Ackerman explains the ideas very clearly and maintains an engaging wit and eye for personality. His book has found a new evidence and touches on a large circle of thinkers at a time when the study of primitive peoples was assuming a wide range and finally gaining the depth which has made it into anthropology. Yet again, the last 30 years of the 19th century stand out like a towering cliff-face in our intellectual history.

Frazer's highly-honoured life combines two irresistible qualities. He worked so hard that he makes any reader feel guilty, but with hindsight, we can see that his methods and theories were completely wrong. There is not a grain of truth in the central contentions of *The Golden Bough* and his other books are books more about Frazer than about the subjects from which he professed to discuss.

In his main work, Frazer believed that he was describing and explaining a universal phase in the beliefs and behaviour of the human species. He had two sorts of evidence for this primitive era: myths and customs. He believed that myths were primi-

ve peoples' attempts to solve problems which they confronted quite rationally in their experience of the world. He found endless customs in Europe, whom he reported behaviour of savages, in Greek and Roman texts (on which he was an expert) and in accounts of the contemporary peasants of Europe, whom he believed to be fossilised savages, arrested at an early level of development. He unified the evidence by assuming that all peoples had once been through the same primitive phase and that he could recover it.

He suffered from at least two crippling disadvantages. Frazer was a Cambridge classicist whose education was monumentally unhelpful. He was trained to write commentaries on antiquarian classical authors, where the art was to cite a relevant parallel to explain something mentioned in the text. I think that Ackerman might have emphasised how Frazer's other books took this art of the parallel passage to absurd lengths. He had a lethal eye for similarities where the differences were more obvious and he ignored the historical and social contexts of the "customs" which he falsely compared. Surprisingly, he made no attempt to visit a contemporary pre-literate society. He might have gone to New Guinea in the 1890s, but instead, he married his battleship of a wife.

Perhaps, even then, he would have "found" what he already had assumed. He believed that a primitive must have thought as he himself would have thought if he was transplanted from Cambridge to an earlier, less scientific age. Ironically, he criticised others for assuming that primitives thought like moderns. However, when he tried to think

back to early times, he invented primitives with Scottish, late Victorian interests. Frazer also believed that Man had passed from magic through religion to science. Whereas magic has been a kind of misguided sort of science, religion was repressive and fraudulent. Like all his work, *The Golden Bough* was deeply and deliberately anti-Christian. Christians, he believed, had retained religious ideas which were survivals from the age of savages. The Passion and the Eucharist were updated versions of primitive totem-fests and scapegoat-practices which we all ought to have outgrown. Few people reach the end of *The Golden Bough's* enormous length, but it ends passionately with the sound of church bells ringing out across a Roman landscape. Frazer is concluding that the same savage drama is still being played in Christian society. "The king is dead; long live the king."

The king, of course, is that haunting figure whose fate alarms and indoctrinates all innocent readers of the *Bough's* famous opening pages. He lived in terror as a priest in the pagan grove of Nemi near Rome and, as Frazer describes his life, it seems to me like a company directorship in an enterprise at risk to a takeover by Lord Hanson. Like a director, the priest took his job by disposing of the previous incumbent, who knows that he will be sacked at the end of the year in order to keep up excellent annual results.

In Frazer's view the priest embodied the spirit of a nearby oak tree, his murder was linked to the earth's fertility and involved the cutting of mistletoe (the Golden Bough) which assured the new priest his suc-



James Frazer: monumental misconception

cessful takeover. The entire complex of "sacred rite" was linked with anything from the custom of midsummer bonfires to the dying gods of the pagan Near East.

Frazer even misunderstood the ancient evidence for the cult at Nemi and his views on mistletoe are pure sophistry. Why did he construct this enormous house of cards which was bought in thousands of copies well into the Edwardian Age?

Robert Ackerman writes admirably about Frazer's debts to Darwin, Renan and his very close friend, Robertson Smith, who also lived in Trinity College and wrote notably on Semitic religion. Myself, I cannot help seeing the figure of Frazer's

meticulous father behind his ceaseless work. Frazer senior had shown similar signs of care and hard work as a Glasgow chemist and part-time writer: he was, however, a devout Presbyterian. Freud was later to construct all sorts of nonsense about similarities between the neurotic and the primitive mind because he took Frazer's findings for granted. He might, I think, have used his own theory on the author. Behind the small, bearded and bookish figure of J. G. Frazer, I see the meticulous image of his father, being pleased by the means of bewildering detail and hard work and killed, like the priest at Nemi, by the relentless attacks on the family's Christian beliefs.

Cleric who made enemies

DANGEROUS PRECINCTS: THE MYSTERY OF THE WAKEFORD CASE by John Treherne. Jonathan Cape. £10.95, 192 pages

AS IN Trollope so in life. In the Spring of 1920 the Rev John Wakeford, Archdeacon of Stow and President of Lincoln Cathedral, stayed on two separate occasions at the Bull Hotel in Peterborough. According to his own testimony he stayed alone. According to his enemies he was accompanied by a woman not his wife. The identity of this woman was never specified, but her putative existence topped Wakeford out of high ecclesiastical office and almost certainly accounted for his death, 10 years later, at a lunatic asylum near Biggin Hill in Kent.

Wakeford was a self-made man for whom having enemies was a natural condition of advancement. Like other professions the Church smiled on those who had been to Oxford or Cambridge. Wakeford had been to neither. By birth a Cockney, he grew up in Devonport, where his father was Superintendent of the Docks Police. In adolescence, however, he was befriended by a rabbi who taught him Hebrew and turned his attention to God.

In time these anomalous beginnings produced an unbalanced specimen of a misfit cleric. A High Churchman with Evangelical tendencies; a lover of the eucharist and the confessional obsessed with repentance and saving souls. In short a medieval, puritan type thrust upwards through the small interstices of late Victorian and Edwardian England.

Armed with the bare minimum credential, a matriculation from London University, Wakeford first impressed Bishop Temple of Exeter, who found him a living in Totnes in 1884.

In 1887 he took to the road, a rural mission playing the unattractive Nonconformist at their own game. Next he impressed Bishop Dunford of Chichester, in whose diocese he performed a similar role.

Then, after a meeting with Gladstone, it was up to Liverpool, to become Vicar of St Margaret's at Anfield. Immediately Wakeford was embroiled in sectarian disputes. Elsewhere in the country the High Church/Low Church issue was largely spent, but in Liverpool, locked as ever in a recession, time-warp, passions still ran deep. On the one hand he had to wade off overtures from the Catholic community, on the other to defend himself against the animosity of the Wesleyans, a rabbi of dissenters cleverly manipulated by the eponymous George Wise.

Wise took one snuff at Wakeford and dubbed him "Pope John of Anfield." In the short term the adverse publicity engineered by Wise did Wakeford nothing but good. By holding his ground he established his reputation as a preacher nationally. But in the long-term the omens were sour. Wakeford's curate at St Margaret's, one Mr Edrup, was alleged by Wise to have seduced a woman's wife. This had nothing to do with Wakeford personally, but nonetheless some of the mad stock.

Wakeford, it was said, ran that kind of vicarage. Henceforth, Wakeford's conduct among the clergy became the theme of Wakeford's life. Soon after his promotion to Lincoln, in 1912, he was presented an additional living at Kirkstead. Kirkstead estate was owned by the Rev Charles Thomas Moore, who in turn was the vicar of Appleby Magna. Wakeford discovered that Moore, who preferred offering his parishioners bread he had chopped up in his kitchen to communal wafers, sometimes put up at a house of ill-repute in Lincoln.

The coalescer court, cleared Moore, but that was only the beginning of the matter. Moore, a freemason, and more squire than a priest, swore revenge. And for an ally he looked no further than the parish adjoining Appleby Magna.

The Rector of Seal, Neher Beal and Overseas was another person, educated at Oxford, addicted to hunting and a drink. But by a wretched coincidence, such as in fiction would only be forgiven the author of *The Warped and the Last Chronicle of Barset*, Herbert Worthington was also Wakeford's brother-in-law. Wakeford had married Evelyn Worthington in Devon 17 years before.

How the Archdeacon of Stow was finally hoist on his own petard is told, with enviable style, in John Treherne's *Dangerous Precincts*.

Justin Wintle

Peter Quennell on Bozzy's merry declining years

THE CORRESPONDENCE OF JAMES BOSWELL WITH DAVID GARRICK, EDMUND BURKE AND EDMOND MALONE edited by Peter S. Baker, Thomas W. Copeland, George M. Kahn, Rachel McClellan and James M. Osborne. Heinemann £40.00, 480 pages

BOSWELL WAS once delighted to hear himself spoken of as "a man whom everybody liked." At a happy period of his existence this no doubt may have been almost true; certainly he made a considerable contribution to the amusement of mankind; and not until his disorderly later years, once he had produced his masterpiece and completed his life work, did his gift of pleasing ebullience begin to wane. His efforts to win public applause then grew more too forced and strenuous. His joke, his song, his sprightly effusions of wit and wisdom, "rote a cruel obituary" in 1796, "were ready, but did not appear to possess upon all occasions their wonted power of enlivening social joy... casual society became more necessary to him while his power of enchantment over it continued to decline."

Simultaneously his dependence on alcohol increased; the resolution he had to limit his drinking to four glasses at dinner and a pint after it - had now gone the way of other salutary decisions and his nocturnal rambles round the back streets of London had a more and more demoralising effect. He fell in the mud and had his pockets picked; so that his son Jamie, like the young hero of the Victorian moral tale, was obliged to follow him as he wandered off and bring him back again. In fact, he was rapidly losing friends; yet, at his best, he had a remarkable gift of enlarging and enriching his circle, not only among his own countrymen but abroad upon his travels. Boswell, as he tells us, "kissed me several times and held me in his arms with elegant cordiality" declaring, "Vous êtes un galant homme," and Voltaire, though he complained that his "dear young visitor" was "sometimes made his head turn round, and he 'let himself gently fall upon an easy chair,' seems to have enjoyed his company.

The *Correspondence of James Boswell with David Garrick, Edmund Burke, and Edmond Malone*, the fourth instalment in the "research" edition of Boswell's private papers, prepared by six learned American Boswellians, is a particularly interesting volume. It illustrates his close relationship with a trio of his most notable contemporaries, ranging from a famous actor and actor-manager, and a celebrated orator and statesman to Edmond Malone, his adviser and editorial assistant. All of them esteemed his fine qualities.

When he first encountered Garrick, the splendid performer was already rich and respected, and close to the peak of his career, one of the "best known men in Great Britain," while Boswell was still an obscure young Scot fascinated by the stage and its romantic personalities. "I used," he afterwards recollected, "to walk down the Canonize and think of the Players with a mixture of narrow-minded horror and lively-minded pleasure." Yet between them friendship was soon struck up, and Garrick paid his lavish compliments: "Sir, said he, you will be a very great man... I want to contribute my part towards saving you and pray will you fix a day when I shall have the pleasure of treating you with tea. I fixed next day. 'Then Sir,' said he, 'the cup shall dance and the saucers skip.'

Boswell's association with Burke was less intimate, and it has been suggested that in the *Life of Johnson*, "Burke's portrait is its most notorious failure." This strikes me as a strangely misleading statement; for in the *Life* he records one of the most memorable descriptions of a famous contemporary that ever came from a fellow man of genius. Burke was "a great man by nature," Johnson proclaimed, "and Boswell exchanged show that Burke often returned his regard and he afterwards agreed with a friend that the *Life* was "a greater monument to Johnson's fame than all his writings put together, a different kind of greatness, chiefly of course on politics. Boswell detested Whigs; but such differences did not always overshadow their talk, and in 1778 he was pleased to be able to note that they had been "charmingly easy and well as usual." Burke had invited him to call again.

Edmond Malone, the third correspondent resurrected here, lacked any of Burke's natural majesty. An Irishman trained for the law, he became an English man of letters and Shakespearean expert and in London led a comparatively uneventful life, the victim of a hopeless passion for a melancholic girl who after many years would go mad. But to Boswell he did unending service and helped him prepare both the *Journal of a Tour to the Hebrides* and the great biography itself. Malone never tired of encouraging correcting and improving; and although his correctives were occasionally pedantic, as a rule they were apt to be sensible and sound.

Meanwhile he set his friend a good example of occupation and industry, and, indeed, sobriety and chastity. Moreover, besides respecting the writer, he was also devoted to the man and bitterly lamented "poor Boswell's" sudden death on May 19 1795.

I shall miss him more and more. He was in the constant habit of calling upon me almost daily and I used to grumble sometimes at his turbulence; but now miss his noise and his hilarity and his perpetual good humour."

It was Malone who sprang to Boswell's defence when his obvious weaknesses were attacked in *The Gentlemen's Magazine* and other organs of fashionable opinion.

Douglas Jay

THE TRIBE of the computer pioneers, people like Babbage and Turing, has spawned mightily in our century. In *Fortraits in Silicon* (MIT Press, 128 Buckingham Palace Road, SW1, £22.50, 374 pages) Time magazine science journalist Robert Slater takes a thorough, enjoyable look at its members.

D.D.

Working with wounded

CHILDREN OF THE SIEGE by Pauline Cutting. Heinemann £12.95, Pan (paperback), 53.50, 203 pages

DURING HER first week as a surgeon working among the Palestinians in Beirut, Dr Pauline Cutting was asked to operate on the human species. He had a young man who had been tortured by the Christian Phalangist militia. She guessed how much it meant to him for his finger to be straightened because it was his trigger finger. "I decided," she says, "it was not my business to

judge the reasons he wanted the correction; my job was to treat him in the best way I could."

A year later conditions had deteriorated so much that the Bourj al Barajneh camp was under siege by the Amal militia. The hospital was a favourite target, half destroyed by gunfire and rockets. Women and children were shot dead, a bedridden woman who was unable to call for help had her toes eaten away by rats in the night. Everyone, including the foreign doctor and nurses, was close to starvation. Medicines were running out

including anaesthetics, and they had to improvise ways with sedatives to keep patients asleep during major surgery.

One evening a young man asked Dr Cutting whether she would treat Nabil Berril, the leader of the merciless Amal militia, if he came in wounded. She replied in Arabic that yes, she would. As a doctor she would treat anyone who needed it. "But," she continued, "I would have to say to him, 'Mr Berril, you need an operation, but I'm afraid we don't have any anaesthetics, so we have to do it without. OK?'"

It is clear from this book that throughout her time in Beirut, Dr Cutting was sustained by her professional role as well as her sense of humour. This to some extent protected her from the anger she felt as an individual about the political morass in which they were all trapped. In addition, there was so much to do, stanching and stitching complicated wounds in impos-

sible surroundings, that the medical equivalent of automatic pilot took over, except that nearly every case demanded new resourcefulness from the team.

There also grew among the staff of the hospital and the families in the camp the camaraderie and unity that often characterise people faced with fearful danger. On almost every page she recounts some small act of kindness, whether a plate of humous she was given or a clean scarf. Is heroism the right term to use of a doctor who saw what there was to do and did it, finding time to marvel at the courage and patience of others, and even to fall in love with one of her co-workers? She is at pains to explain how nearly everyone there rose to the demands of the occasion.

That may be, but this unpretentious book shows she had uncommon dedication, energy and resilience. Perhaps the saddest aspect of it all is that, although people like Dr Cutting



Pauline Cutting: staying at her post

can alleviate a little of the suffering, we are no nearer a solution in the Lebanon today than when she was there a year ago.

Sarah Preston

With the money markets on the brink of collapse the heat is really on....

THE PANIC OF '89

From the superselling author of THE CRASH OF '79

PAUL ERDMAN

Thrilling explosive fiction or terrifying nightmarish fact?— Only you can decide....

OUT NOW IN SPHERE PAPERBACK

Ways to see stars

THE DIVIDED CIRCLE: A HISTORY OF INSTRUMENTS FOR ASTRONOMY NAVIGATION AND SURVEYING by J.A. Bennett, Phalidon/ Christie. £45.00, 220 pages

MEISSNER PORTRAIT FIGURES by L. and Y. Adams. Barrie & Jenkins. £50.00, 224 pages

AN ILLUSTRATED HISTORY OF SILVERWARE by Harold Newman. Thames & Hudson. £25.00, 367 pages

LOOKING AFTER ANTIQUES by Anna Plowden and Frances Hallahan. Pan. £16.95, 224 pages

providing the definitive history of at least a part of their passion; those instruments developed to make the work of astronomers, navigators and surveyors possible, instruments that measure angles between distant objects.

The Divided Circle goes back beyond Ptolemy to the Babylonians, who invented the 360 degree division. Writing with great authority, but some style, Dr Bennett moves on smoothly from the instruments developed by the classical astronomers, to their adaptation by the oceanic navigators of the 16th century, to land surveying.

The collecting aspect is rigorously excluded from this scholarly study, at least on the surface, but no serious buyer could fail to appreciate the importance of this contribution. The naming of the crucial instrument-makers, to say nothing of the relevance of the abundant illustrations to their craftsmanship, will soon be reflected in saleroom prices and in dealers' lists. Len and Yvonne Adams have attempted to provide a similar

service for the collectors of *Meissner Portrait Figures*, the title of their extended monograph. Despite the high price, this is a pedestrian account, with page after page of black and white illustrations of figures which cry out for colour. There are 60 coloured plates of varying size but they are a glaring minority. There is a sketchy history of the development of Meissner, which owes everything to the passion of Adamus the Strong in the early 18th century; he spent so much on imported Chinese wares that his advisers feared he would bankrupt the state.

It is time that Meissner recovered from its recent relative neglect and anyone addicted to its decorative figures will doubtless find this book a useful aide-memoire.

An *Illustrated Dictionary of Silverware* by Harold Newman is but that there are over 2,300 entries, from abolition basins to York silverware, may not be as practically useful, but the 725 illustrations make this an attractive accessory for the new collector. Only British and north American silver is covered, and it is odd not to include a list of silver-marks and their dates. There is also nothing on the cleaning and maintenance of silver.

Fortunately Anna Plowden and Frances Hallahan, in *Looking After Antiques* include silver; along with every credible collecting field in a useful and well laid out guide. Written in a practical, no nonsense style, with copious and understandable drawings as well as photographs, this is where collectors should really start, even before the purchase of the relevant handbook. It makes the point that some forms of antique collecting are more troublesome than the keeping of pets.

Antony Thorncroft

ONE HUNDRED years ago 33 gentlemen convened at the Cosmo Club, Washington D.C., to consider "organising a society for the increase and diffusion of geographical knowledge." The meeting resulted in the National Geographic Society and its yellow-covered illustrated magazine. How the society grew and achieved world renown is admirably told by C.D.B. Bryan in *The National Geographic Society: 100 Years of Adventure and Discovery* (Phaidon, £35.00, 485 pages), a suitably glossy tome.

A.C.

52 WEEKS FROM NOW, WE PROMISE YOUR CHILDREN WON'T SEE THE WORLD LIKE THIS.

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ARTS

Antony Thorncroft reports on the export of works of art

Licence to treasure

THERE IS a relentless logic to it all. When, as in the late autumn, Sotheby's sells a painting by Van Gogh...

There is one ray of hope. In November the National Heritage Memorial Fund was given an extra...



Poussin's 'The Finding of Moses' currently the most important work in danger of leaving the country

Other works of art currently covered by the export stop that stand a good chance of staying in the UK include the Clifford papers relating to the Secret Treaty of Dover in 1670...

but some slight adjustments are now needed. At the moment the experts acting as the first line of defence are all London based...

the law by some exporters (who face minimal fines if uncovered), the UK has lost relatively little of real artistic significance in recent years...

the law by some exporters (who face minimal fines if uncovered), the UK has lost relatively little of real artistic significance in recent years...

Records

Solti's lively Lohengrin

Wagner: Lohengrin. Norman, Randova, Domingo, Nimmern, Solti, Fischer-Dieskau/VPO, VSO Chorus/Solti. Decca 421 059-1 (LP), -2 (CD), -4 (cassette).

Spontini: Olympie. Varady, Toczyska, Tagliavini, Fischer-Dieskau/RSO Berlin/Albrecht. Orfeo C 137 862 H.

frames the action with expected but still remarkable intelligence. He contrives to set the scene not only for this opera but for this particular interpretation.

Favoured by Napoleon, the Empress Josephine and the King of Prussia, Spontini epitomised the neo-classical Empire style in music.

SOLTI'S DRAMATIC, colourful Lohengrin may surprise those who accept this opera more from dutiful loyalty to Wagner than from personal conviction.

This Italian whose symmetrical career took him from Italy to Paris then to Berlin and back again in reverse order, was an unattractive man but a superior composer.

ENO's Rose

THE ENGLISH National Opera, production of Der Rosenkavalier, revived on Thursday, is 13 years old. It has lasted much longer in the repertory than many another ENO show of similar vintage...

Before the event, one might have feared that the Mezzosoprano would prove a little light, a little 'French' for the opera's most substantial female role.

Theatre

In need of a Miracle

OXFORD'S CHURCH of St Mary the Virgin, in the High Street, is the site of the trial of the Protestant martyrs under Bloody Mary, the last Anglican sermon preached by John Wesley before he went his own way...

You've got something on your mind, father. I can tell by your expression. Thus Isaac (a plump and perky actress in a peaked cap and red waistcoat) is the lively Tracy Harper to his knife-fondling father.

The prevailing blend of the coy and the pedestrian is not helped by the company's first appearance, as angels, in the silkiest costumes even pseudo-proletarian medievalism could dream up.

Carol Russell's nagging Caribbean Gabriel; Miss Russell works nobly to generate warmth and humour, but so far the piece seems neither the celebration of an ancient popular culture nor a work of devotion.

Records

West London Antiques Fair

WEST LONDON ANTIQUES FAIR Kensington Town Hall Hornton St., off Kensington High Street, W8 January 14th - 17th

Theatre

Jan McKellen's run extended

Jan McKellen Acting Shakespeare at the newly renovated Playhouse Theatre has been extended for three weeks until January 30.

Radio

Change on 3

LAST SUNDAY, BBC1 gave those of us who could keep away from Frankenstein on BBC3 an inside demonstration of how the Corporation works.

So what new developments are to be made in live radio? Well, this week's Composer is to move forward to 8.35am, and will be repeated the following week at 11pm.

Radio

Change on 3

current issues in the arts, on Wednesdays, Music on Thursdays, the Performing Arts on Fridays.

a shell. It begins with the registration of his birth and continues pitilessly through every artistic or amatory contact of his 38 years.

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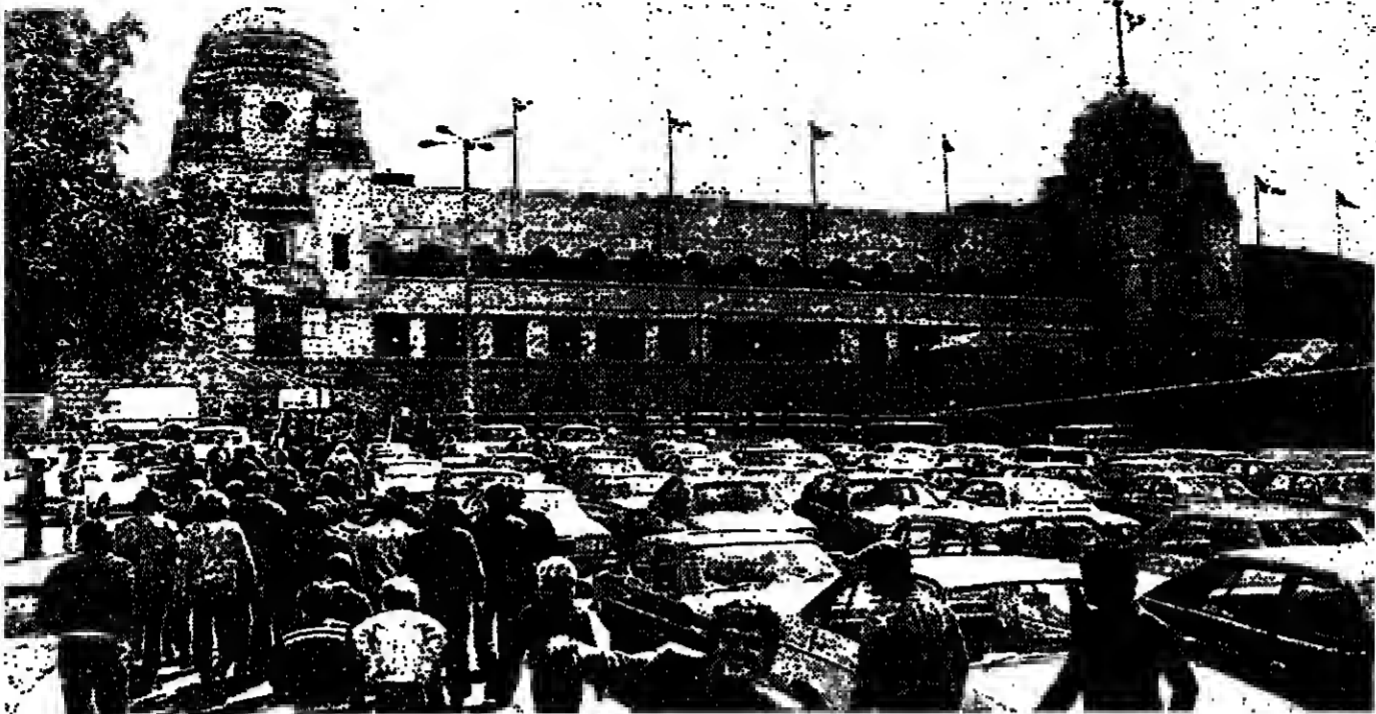
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Wembley Stadium/Robert Steen

A great world arena on the edge

THE CHANT of 'Wem-ber-lee' will surge from soccer terraces at 3pm today as the countdown towards the FA Cup final starts in earnest...



Here we go, here we go, in Wembley Way

The gargantuan eyesore of a tote scoreboard opposite the players' tunnel will have been transformed into a computerised screen; 72 executive boxes and 2,500 executive seats will be in place...

Within the more intimate confines of Wembley Arena - capacity of which is due to expand from 9,000 to 13,000 - and the Conference Centre, there is snooker, tennis, ice hockey, squash, badminton and gymnastics...

21-year contract - a traditional length of term in 1982 and both Wolfson and FA secretary Ted Croker describe Wembley as having a 'unique mystique'.

The playing area that has hummed to the skills of Diego Maradona, Pele, Johann Cruyff and George Best was once dubbed 'Watkin's Folly'.

Wolfson scoffs at the rumblings about Robert Maxwell's bottomless wallet. 'Maxwell has his heady eyes on everything, but the controlling interest cannot be bought,' he insists.

American football/Ben Wright

IT WAS typical of a professional football season torn apart by the second players' strike since 1982 that last Sunday's wild card play-off games in both National and American conferences should have been won by the underdogs...



Every dog has his day

The final straw came on the stroke of half time when the Saints were penalised for having 12 rather than the maximum allowed 11 defenders on the field...

Where do we go from here? The Cleveland Browns now entertain the Indianapolis Colts in the first American conference divisional final...

much in their favour. John Elway, the Broncos quarterback and spiritual leader, has finally achieved the maturity and accuracy that has mostly eluded the Oilers' black quarterback Warren Moon...

FT CROSSWORD No.6,525

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday January 20 marked Crossword 6,525 on the envelope, to the Financial Times, 10 Cannon Street, London EC4A 3DF. Solution an Saturday January 23.

Crossword puzzle grid with numbers 1-27 and corresponding clues for Across and Down.

ACROSS: 1 Notes on room: much of it's baroque (7,5); 10 A pound note in the back contains arsenic (7); 11 He makes mistakes, an infamously, when Hornblower's about (7); 12 Boy and a girl fared badly (5); 13 Boy linds most of African country negative (6); 14 Margin of thong's welt, possibly (3,7); 15 Complaint at point of vent (4); 16 Pledge to take wine? (4); 17 Poetically even calcium may be used for one church (10); 18 English and French nobleman in band losing weight (8); 24 Trouble taken by country first to last (5); 26 Greek character with obvious sort of energy (7); 27 1571 battles for piano in shed (7); 28 Building regulations - nice flat for holiday (4-8).

DOWN: 2 Stop man with a ban (5,2); 3 College girl and boy turning up in purple? No thanks (8); 4 Be employed as listener at pole (4); 5 Moving house? (8,4); 6 Introduction to explanation of what's wrong with the church (5); 7 Stop the Spanish officer (7); 8 Partnership practice is in favour of matches with fast running (6-7); 9 William's place to come out for the wedding (6,7); 14 Selfish boy without energy getting little money (10); 17 Stop driving and adhering to secure binding (8); 19 Fish and sweets in old books country negative (6); 21 Hair style for semi-ignorant Pole after church (7); 23 Basket is numbered attachment to rod (6); 25 Dull piece to puzzle (4).

Solution to puzzle No.6,524: PORRIDGE BOTTOM; O R A U O U; BATHING STUPOR; CLOSELY ALSO; ELEVENISES OBSES; T N A K I V E R; O R A G L D; BRYHAAP A T; ORATE TAPDANCER; L L R E R D O U; ENTINIA MINOLESS; FINITIN SECRETLY.

Full Colour Residential Property Advertising APPEARS EVERY SATURDAY Rate £40 per Single Column Centimetre. TEL CAROL HANEY 01-489 0030

SATURDAY

Programme in black and white: BBC1: 8:20 am Robert, 8:25 Saturday Starts Here, 8:40 Robert's Flat Race, 9:00 The Muppet Show, 9:30 Going Live!, 12:12 pm Muppet Show, 12:15 Omnibus, 12:30 pm Football Focus, 12:45 Racing from Haydock, 1:30 pm News, 1:45 pm Rugby League Focus, 1:55 pm Racing from Haydock, 2:30 pm Sportsman's Special, 3:00 pm News, 3:15 pm Rugby League (final of the John Player Trophy), 3:30 pm Racing from Leopardstown, 4:45 pm Racing from Haydock, 5:15 pm News, 5:30 pm Half-time Scores, 6:00 pm Sportsman's Special, 6:30 pm News, 6:45 pm Regional Programmes, 7:00 pm Foll Herts Cartoon Time, 8:15 pm News, 8:20 pm The Pat Kenny Show, 8:30 pm Bergerac, 8:35 pm News and Sport, 8:45 pm Kenny and Lecky, 10:05 pm Moby Dick, 10:15 pm News, 10:20 pm The Pat Kenny Show, 10:30 pm News, 10:35 pm Kenny and Lecky, 10:45 pm Moby Dick, 10:55 pm News, 11:00 pm The Pat Kenny Show, 11:15 pm News, 11:20 pm Kenny and Lecky, 11:30 pm Moby Dick, 11:40 pm News, 11:45 pm Kenny and Lecky, 11:55 pm 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